

PROSPECTUS



LBG Capital No.1 plc

as Issuer

and

LBG Capital No.2 plc

as Issuer

£5,000,000,000 Enhanced Capital Note Programme

unconditionally and irrevocably guaranteed by

Lloyds Banking Group plc

and/or

Lloyds TSB Bank plc

Any ECNs (as defined below) issued pursuant to this Prospectus (the "Prospectus") under the Enhanced Capital Note Programme described in this Prospectus (the "Programme"), on or after the date of this Prospectus are issued subject to the provisions described herein. Under the Programme LBG Capital No.1 plc ("LBG Capital No.1") and LBG Capital No.2 plc ("LBG Capital No.2" and, together with LBG Capital No.1, the "Issuers" and each an "Issuer"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Dated Enhanced Capital Notes which are subordinated as described herein with a maturity date and with terms capable of qualifying as Lower Tier 2 Capital (as defined below) (the "Dated ECNs") and/or Undated Enhanced Capital Notes which are subordinated as described herein with no maturity date and with terms capable of qualifying as Upper Tier 2 Capital (as defined below) (the "Undated ECNs"). The aggregate nominal amount of ECNs outstanding under the Programme will not at any time exceed £5,000,000,000 (or the equivalent in other currencies), subject to increase as provided herein. The ECNs will be unconditionally and irrevocably guaranteed (the "Guarantee") as to payment of principal, premium (if any), interest and any additional amounts by Lloyds Banking Group plc ("Lloyds Banking Group", "LBG" or the "Company") and/or by Lloyds TSB Bank plc ("Lloyds TSB Bank", "LTSB" or the "Bank", and together with Lloyds Banking Group, the "Guarantors" and each a "Guarantor"), as specified in the relevant final terms relating to the ECNs (the "Final Terms"), and shall have the benefit of a deed poll (the "Deed Poll") to be entered into by Lloyds Banking Group in favour of holders thereof. References herein to "ECNs" shall mean, unless the context otherwise requires, the Dated ECNs, the Undated ECNs, the Guarantee and the Deed Poll taken together. The terms "Lower Tier 2 Capital" and "Upper Tier 2 Capital" have the respective meanings given to them from time to time by the Financial Services Authority ("FSA").

Application has been made to the FSA in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "UK Listing Authority") for ECNs issued under the Programme for the period of 12 months from the date of this Prospectus to be admitted to the Official List of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such ECNs to be admitted to trading on the London Stock Exchange's Regulated Market (the "Market"). References in this Prospectus to ECNs being "listed" (and all related references) shall, unless the context otherwise requires, mean that such ECNs have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of markets in financial instruments. However, unlisted ECNs may be issued pursuant to the Programme. The relevant Final Terms in respect of the issue of any ECNs will specify whether or not such ECNs will be listed on the Official List and admitted to trading on the Market (or listed on any other stock exchange).

The ECNs have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act"). Subject to certain exemptions, the ECNs are not being offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. The ECNs are being offered and sold outside the United States to persons that are not U.S. persons (as defined in Regulation S ("Regulation S") under the Securities Act) and (in the case of Restricted ECNs (as defined below)) within the United States to "qualified institutional buyers" as defined in Rule 144A under the Securities Act. See "Selling Restrictions" and "Transfer Restrictions".

Each Tranche (as defined herein) of ECNs in bearer form will be represented on issue by a temporary global note in bearer form (each a "Temporary Global Note") or a permanent global note in bearer form (each a "Permanent Global Note" and, together with the Temporary Global Notes, the "Global Notes"). Global Notes will be deposited on the issue date of the relevant Tranche with a common depository on behalf of Euroclear S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg") and/or any other agreed clearing system. ECNs in registered form ("Registered ECNs") will be represented on issue by registered certificates (each a "Certificate"). Registered ECNs which are sold to persons that are not U.S. persons in an "offshore transaction" within the meaning of Regulation S ("Regulation S ECNs" and/or "Unrestricted ECNs") under the Securities Act, will initially be represented by a permanent registered global certificate (each, a "Regulation S Global Certificate" and/or an "Unrestricted Global Certificate"), which will be deposited on the issue date of the relevant Tranche with a common depository on behalf of Euroclear and Clearstream, Luxembourg, and/or any other agreed clearing system. Registered ECNs which are sold in the United States to qualified institutional buyers within the meaning of Rule 144A ("Rule 144A") under the Securities Act in a private transaction in reliance upon an exemption from the registration requirements of the Securities Act for transactions not involving a public offering ("Restricted ECNs") will initially be represented by a permanent registered global certificate (each, a "Restricted Global Certificate" and, together with the Regulation S Global Certificate and the Unrestricted Global Certificate, the "Global Certificates"), which will be deposited on the issue date of the relevant Tranche with a common depository on behalf of Euroclear and Clearstream, Luxembourg. Restricted ECNs will be initially issued and may be transferred only in blocks having an aggregate principal amount of U.S.\$100,000 and (if applicable) integral multiples of U.S.\$1,000 in excess thereof. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive ECNs and exchange of interests in Global Certificates for other Global Certificates and Certificates, are described in "Summary of Provisions Relating to the ECNs while in Global Form". The ECNs will not be eligible for resale pursuant to Rule 144A under the Securities Act.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus. This Prospectus does not describe all of the risks of an investment in the ECNs. Prospective investors in ECNs should ensure that they understand the nature of the relevant ECNs and the extent of their exposure to risks and that they consider the suitability of the relevant ECNs as an investment in the light of their own circumstances and financial condition. ISSUES OF ECNS INVOLVE A HIGH DEGREE OF RISK AND POTENTIAL INVESTORS SHOULD BE PREPARED TO SUSTAIN A LOSS OF ALL OR PART OF THEIR INVESTMENT. It is the responsibility of prospective investors to ensure that they have sufficient knowledge, experience and professional advice to make their own legal, financial, tax, accounting and other business evaluation of the merits and risks of investing in the ECNs and are not relying on the advice of the Issuers, the Guarantors or BNY Corporate Trustee Services Limited (the "Trustee", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) in that regard.

The date of this Prospectus is 1 December 2009.

This Prospectus comprises a base prospectus for the purposes of Directive 2003/71/EC (the “Prospectus Directive”) and for the purpose of giving information with regard to the Issuers, Lloyds TSB Bank and its consolidated subsidiaries from time to time (the “Lloyds TSB Bank Group”) and Lloyds Banking Group and its consolidated subsidiaries from time to time (the “Group”) which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuers and the Guarantors.

Each of the Issuers and the Guarantors (each a “Responsible Person”) accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuers and the Guarantors (each having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each Series of ECNs may be rated or unrated. A 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.

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

No person is or has been authorised to give any information or to make any representation other than as contained in this Prospectus in its entirety in connection with the offering of the ECNs and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers, the Guarantors or the Trustee. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuers or the Guarantors since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. Neither this Prospectus nor any other information supplied in connection with the Programme or any ECNs (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or constituting an invitation or offer by the Issuers, the Guarantors, or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the Programme or any ECNs should purchase any ECNs. Each prospective investor contemplating purchasing any ECNs should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuers and the Guarantors. Neither this Prospectus nor any other information supplied in connection with the Programme or the issue of any ECNs constitutes an offer of, or an invitation by or on behalf of, the Issuers, the Guarantor or the Trustee to any person to subscribe for or purchase any ECNs.

The distribution of this Prospectus and the offering or sale of the ECNs in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuers and the Guarantors to inform themselves about and to observe any such restriction.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to (i) “£” and “pounds sterling” are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland (the “United Kingdom” or “U.K.”); (ii) “U.S. dollars” and to “U.S.\$” are to the lawful currency of the United States, its territories and possessions, any state of the United States of America and the District of Columbia (the “United States” or “U.S.”); (iii) “yen” are to the lawful currency for the time being of Japan; and (iv) “€” and “euro” are to the currency introduced

at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

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

NOTICE TO U.S. INVESTORS

The ECNs have not been and will not be registered under the Securities Act, and include ECNs in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, ECNs may not be offered, sold or delivered within the United States or to, or for the accounts or benefit of, U.S. persons. The ECNs are being offered and sold outside the United States to persons that are not U.S. persons, as that term is defined in Rule 902 under the Securities Act, in offshore transactions in reliance upon Regulation S and (in the case of Restricted ECNs) within the United States to qualified institutional buyers (as defined in Rule 144A) in a private transaction in reliance upon an applicable exemption from the registration requirements of the Securities Act for transactions not involving a public offering and in compliance with any applicable securities laws of any State or other jurisdiction of the United States.

The ECNs are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and other applicable securities laws, pursuant to registration or exemption therefrom. The ECNs will not be eligible for resale pursuant to Rule 144A. See “Transfer Restrictions”. For a description of certain restrictions on offers and sales of ECNs and on distribution of this Prospectus, see “Selling Restrictions”. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

Each purchaser of the ECNs in the United States will be deemed to have made the representations and agreements contained in this Prospectus.

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

Each of Euroclear and Clearstream, Luxembourg will periodically disseminate notices to each person who is shown in their records to be a holder of an interest in the ECNs (each a “Direct Participant”) setting forth restrictions on transferability and resale applicable to the ECNs. Any investor in the ECNs and any future transferee or purchaser of such ECNs will be subject to such restrictions on transferability and resale.

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

ENFORCEMENT OF CIVIL LIABILITIES

Lloyds Banking Group is a public limited company incorporated under the laws of Scotland and Lloyds TSB Bank is a public limited company incorporated under the laws of England and Wales. Most of the directors of Lloyds Banking Group and most of the directors of Lloyds TSB Bank named in this Prospectus are residents of the United Kingdom. A substantial portion of the assets of the Lloyds Banking Group and Lloyds TSB Bank and a substantial portion of the assets of most of the directors 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 such persons or upon the Issuers or to enforce against them judgments obtained in U.S. courts, including those based upon the civil liability provisions of the U.S. securities laws. The Issuers' and the Guarantors' English solicitors, Linklaters LLP, have advised that there is also doubt as to enforceability, in the United Kingdom in original actions or in actions for the enforcement of judgments of U.S. courts, predicated upon the civil liability provisions of the U.S. securities laws. In addition, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in the United Kingdom.

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FORWARD-LOOKING STATEMENTS

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

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

Factors that could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements made by the Group or on the Group's behalf include, but are not limited to, general economic conditions in the UK and internationally; inflation, deflation, interest rates, policies of the Bank of England and other G8 central banks, exchange rate, market and monetary fluctuations; changing demographic developments including mortality and changing customer behaviour, including consumer spending, saving and borrowing habits, borrower credit quality, technological changes, natural and other disasters, adverse weather and similar contingencies outside the Group's control; inadequate or failed internal or external processes, people and systems; terrorist acts, other acts of war, geopolitical, pandemic or other such events; changes in laws, regulations, taxation, government policies or accounting standards or practices, exposure to regulatory scrutiny, legal proceedings or complaints, changes in competition and pricing environments; the inability to hedge certain risks economically; the adequacy of loss reserves; the ability to secure new customers and develop more business from existing customers; the ability to achieve value-creating mergers and/or acquisitions at the appropriate time and prices and the success of the Group in managing the risks of the foregoing.

The Group may also make or disclose written and/or oral forward-looking statements in reports filed with or furnished to the SEC, Lloyds Banking Group's annual reviews, half-yearly announcements, proxy statements, offering circulars, prospectuses, press releases and other written materials and in oral statements made by the directors, officers or employees of the Group to third parties, including financial analysts. The forward-looking statements in this Prospectus are made as of the date hereof and the Group undertakes no obligation to update any of the forward-looking statements.

DOCUMENTS INCORPORATED BY REFERENCE

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

Lloyds Banking Group plc financial statements:

- (i) The interim management statement (the “Interim Management Statement”) of the Company for the three months ended 30 September 2009 published on 3 November 2009 save for the sixth paragraph under “Key highlights”;
- (ii) The condensed statutory consolidated interim financial statements of the Company for the six months ended 30 June 2009, together with the independent review report thereon, as set out on pages 87 to 115 and 117 to 118, respectively, of the Company’s 2009 Interim Results News Release (the “Company’s 2009 Interim Statutory Results”);
- (iii) The condensed statutory consolidated interim financial statements of the Company for the six months ended 30 June 2008, together with the independent review report thereon, as set out on pages 30 to 45 and 47, respectively, of the Company’s 2008 Interim Results News Release (the “Company’s 2008 Interim Statutory Results”);
- (iv) 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 (the “Company’s 2008 Annual Report”);
- (v) The audited consolidated annual financial statements of the Company for the financial year ended 31 December 2007, together with the audit report thereon, as set out on pages 77 to 147 and 76, respectively, of the Company’s Annual Report and Accounts 2007; and
- (vi) The audited consolidated annual financial statements of the Company for the financial year ended 31 December 2006, together with the audit report thereon, as set out on pages 63 to 120 and 62, respectively, of the Company’s Annual Report and Accounts 2006.

Lloyds TSB Bank plc financial statements:

- (i) The condensed statutory consolidated interim financial statements of the Bank for the six months ended 30 June 2009, together with the independent review report thereon, as set out on pages 4 to 25 and 27 to 28, respectively, of the Bank’s Interim Management Report for the half year ended 30 June 2009 (the “Bank’s 2009 Interim Statutory Results”);
- (ii) The audited consolidated annual financial statements of the Bank for the financial year ended 31 December 2008, together with the audit report thereon, as set out on pages 11 to 107 and 9 to 10, respectively, of the Bank’s Annual Report and Accounts 2008;
- (iii) The audited consolidated annual financial statements of the Bank for the financial year ended 31 December 2007, together with the audit report thereon, as set out on pages 10 to 100 and 8 to 9, respectively, of the Bank’s Annual Report and Accounts 2007; and
- (iv) The audited consolidated annual financial statements of the Bank for the financial year ended 31 December 2006, together with the audit report thereon, as set out on pages 7 to 73 and 6, respectively, of the Bank’s Annual Report and Accounts 2006.

HBOS Group plc financial statements:

- (i) The audited consolidated annual financial statements of HBOS plc (“HBOS”) 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’s Annual Report and Accounts 2008 (the “HBOS 2008 Annual Report”);
- (ii) The audited consolidated annual financial statements of HBOS for the financial year ended 31 December 2007, together with the audit report thereon, as set out on pages 153 to 157, 160 to 223 and 152, respectively, of HBOS’s Annual Report and Accounts 2007; and
- (iii) The audited consolidated annual financial statements of HBOS for the financial year ended 31 December 2006, together with the audit report thereon, as set out on pages 124 to 128, 131 to 191 and 123, respectively, of HBOS’s Annual Report and Accounts 2006.

Other documents incorporated by reference:

- (i) The following sections of the prospectus published by Lloyds Banking Group and Lloyds TSB Bank dated 11 November 2009 relating to the U.S.\$35,000,000,000 programme for the issue of senior and subordinated medium term notes (the “US MTN Prospectus”):
 - (a) “Risk Factors” as set out on pages 19 to 43;
 - (b) “Lloyds Banking Group” as set out on pages 93 to 116, save for the sections entitled “Legal Proceedings”, “Current terms and conditions” and “Historic terms and conditions” as set out on pages 105 to 106;
 - (c) “Recent Developments” as set out on pages 117 to 127, save for the first paragraph under the heading “Capital Restructuring Proposals” on page 117 (the “US MTN Recent Developments”);
 - (d) Part D “Operating and Financial Review Relating to Lloyds Banking Group for the Six Months Ended 30 June 2009 and 2008” of the section entitled “Historical Financial Information Relating to Lloyds Banking Group” as set out on pages 132 to 143;
 - (e) Part A “Lloyds Banking Group” of the section entitled “Capital Resources” as set out on pages 148 to 149;
 - (f) Part C “Capital Resources and Liquidity” of the section entitled “Capital Resources” as set out on pages 151 to 158; and
 - (g) “Unaudited pro forma net assets statements of the Group as at 30 June 2009” as set out on pages 160 to 162.
- (ii) The following sections of the annual report of the Company for the financial year ended 31 December 2008 on Form 20-F filed with the SEC on 7 May 2009 pursuant to the United States Securities Exchange Act of 1934 (the “Exchange Act”) (the “Company’s 2008 Annual Report on Form 20-F”):
 - (a) “Material Contracts” and “Properties” as set out on pages 7 to 9;
 - (b) “Operating and Financial Review and Prospects” as set out on pages 14 to 79;
 - (c) “Employees”, “Compensation” and “Corporate Governance” as set out on pages 82 to 104;
 - (d) “Major Shareholders”, “Related Party Transactions” and “Information about the Lloyds Banking Group’s Relationship with the U.K. Government” as set out on pages 105 to 107; and
 - (e) 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 F-1 to F-88;

- (iii) The following sections of the Company's placing and compensatory open offer prospectus dated 20 May 2009 (the "Company's Placing and Compensatory Open Offer Prospectus"):
 - (a) The operating and financial review relating to HBOS and its subsidiary undertakings (the "HBOS Group") as set out on pages 118 to 177; and
 - (b) The cash flow analysis of the HBOS Group as set out on page 180;
- (iv) Part XIV "Operating and Financial Review of HBOS" as set out on pages 73 to 116 of the HBOS rights issue prospectus dated 19 June 2008 in connection with the rights issue announced by HBOS on 29 April 2008 (the "HBOS Rights Issue Prospectus"); and
- (v) LBG Capital No.1's and LBG Capital No.2's articles of association,

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

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

The Issuers will, in the event of any significant new factor, material mistake or inaccuracy relating to information included or incorporated by reference in this Prospectus which is capable of affecting the assessment of any ECNs, prepare a supplement to this Prospectus or publish a new prospectus for use in connection with any subsequent issue of ECNs.

EXCHANGE RATE INFORMATION

The following table sets forth, for the periods indicated, average and period-end noon buying rates in the City of New York for cable transfers in pounds sterling as announced by the Federal Reserve Bank of New York for customs purposes, in each case for the purchase of U.S. dollars, all expressed in U.S. dollars per pound sterling.

For the financial year ended	<u>Average⁽¹⁾</u>	<u>Year End</u>
	<i>(U.S. dollars per pound sterling)</i>	
2008	1.8424	1.4619
2007	2.0073	1.9843
2006	1.8582	1.9586
For the month of	<u>Average⁽²⁾</u>	<u>Month End</u>
May 2009	1.5418	1.6160
June 2009	1.6369	1.6452
July 2009	1.6378	1.6713
August 2009	1.6532	1.6314
September 2009	1.6323	1.6004
October 2009	1.6212	1.6479

Notes:

- (1) The average of the noon buying rates on the last business day of each month during the relevant period.
- (2) The average of the daily noon buying rates during the relevant period.

PRESENTATION OF FINANCIAL INFORMATION

The financial information relating to each of the Guarantors and HBOS, as incorporated by reference into this Prospectus, in respect of the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008, has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”).

SELECTED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

The following tables present selected consolidated information which has been derived from the Group's audited consolidated financial statements as at and for the financial years ended 31 December 2008, 2007 and 2006 and from the Group's unaudited condensed consolidated interim financial statements as at and for the six months ended 30 June 2009.

The following data should be read in conjunction with the Group's condensed consolidated interim financial statements and the notes thereto and the Group's audited consolidated financial statements and the notes thereto, all incorporated by reference herein, as well as the sections of this Prospectus entitled "Historical Financial Information Relating to Lloyds Banking Group".

Selected Income Statement Information

	Year ended 31 December		
	2008	2007	2006
		<i>(audited)</i>	
	<i>(£ millions unless otherwise indicated)</i>		
Earnings per share.....	14.3p	58.3p	49.9p
Total income.....	7,013	18,228	19,673
Insurance claims.....	2,859	(7,522)	(8,569)
Total income, net of insurance claims.....	9,872	10,706	11,104
Operating expenses.....	(6,053)	(5,567)	(5,301)
Trading surplus.....	3,819	5,139	5,803
Impairment.....	(3,012)	(1,796)	(1,555)
Profit on sale of businesses.....	—	657	—
Profit before tax.....	807	4,000	4,248
	Six months ended		
	30 June		
	2009	2008	
		<i>(unaudited)</i>	
	<i>(£ millions unless otherwise indicated)</i>		
Earnings per share.....	41.9p	9.8p	
Total income.....	12,700	3,280	
Insurance claims.....	(2,902)	1,344	
Total income, net of insurance claims.....	9,798	4,624	
Operating expenses.....	(6,464)	(2,936)	
Trading surplus.....	3,334	1,688	

	Six months ended 30 June	
	2009	2008
	<i>(unaudited)</i>	
	<i>(£ millions unless otherwise indicated)</i>	
Impairment.....	(8,053)	(1,099)
Share of results of joint ventures and associates.....	(504)	4
Gain on acquisition.....	11,173	—
Profit before tax	5,950	593

Selected Balance Sheet Information

	As at 31 December			As at 30 June
	2008	2007	2006	2009
		<i>(audited)</i>		<i>(unaudited)</i>
		<i>(£ millions)</i>		
Assets				
Cash and balances at central banks.....	5,008	4,330	1,898	60,384
Derivatives, trading and other financial assets at fair value through profit or loss.....	73,948	66,570	73,260	184,821
Loans and receivables.....	283,493	244,659	228,923	728,139
Available-for-sale financial assets.....	55,707	20,196	19,178	41,914
Investment property.....	2,631	3,722	4,739	4,587
Goodwill, other intangible assets and the value of in-force business.....	4,346	4,725	5,238	12,270
Tangible fixed assets.....	2,965	2,839	4,252	9,088
Other assets.....	7,935	6,305	6,110	21,926
Total assets	436,033	353,346	343,598	1,063,129
Liabilities				
Deposits from banks.....	66,514	39,091	36,394	112,909
Customer deposits.....	170,938	156,555	139,342	429,082
Derivatives, trading and other financial liabilities at fair value through profit or loss.....	33,646	10,788	6,947	68,807
Debt securities in issue.....	75,710	51,572	54,118	240,589
Insurance liabilities.....	34,062	38,617	42,128	69,648
Liabilities arising from non-participating investment contracts.....	14,243	18,197	24,370	42,921
Other liabilities.....	12,194	11,999	14,258	31,199

	As at 31 December			As at 30 June
	2008	2007	2006	2009
		(audited) (£ millions)		(unaudited)
Retirement benefit obligations.....	1,771	2,144	2,462	1,982
Subordinated liabilities.....	17,256	11,958	12,072	30,966
Total liabilities	426,334	340,921	332,091	1,028,103

Selected Capital Ratios	As at 31 December			As at 30 June
	2008	2007	2006	2009
Tier 1 capital ratio	8.0%	9.5%	8.2%	8.6%
Total capital ratio.....	11.2%	11.0%	10.7%	10.6%

SUMMARY OF THE PROGRAMME

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

Summary of the Issuers

LBG Capital No.1 was incorporated and registered in England on 15 October 2009 with registered number 7045658 as a public company limited by shares. The principal legislation under which LBG Capital No.1 operates is the Companies Act 2006 (as amended), (the “Companies Act”) and regulations made thereunder. LBG Capital No.1 is domiciled in the United Kingdom. Its head office is at 25 Gresham Street, London EC2V 7HN (Tel. +44 (0)20 7626 1500).

LBG Capital No.2 was incorporated and registered in England on 15 October 2009 with registered number 7045669 as a public company limited by shares. The principal legislation under which LBG Capital No.2 operates is the Companies Act and regulations made thereunder. LBG Capital No.2 is domiciled in the United Kingdom. Its head office is at 25 Gresham Street, London EC2V 7HN (Tel. +44 (0)20 7626 1500).

Each of LBG Capital No.1 and LBG Capital No.2 is a wholly-owned subsidiary of LBG Capital Holdings Limited, which itself is a wholly-owned subsidiary of LBG.

The Issuers’ principal purpose is to issue the ECNs. Since the date of their incorporation, other than entering into certain contracts in connection with the exchange offers, described in the US MTN Recent Developments which is incorporated by reference into this Prospectus (the “Exchange Offers”), and the issue of ECNs, the Issuers have not commenced business. Neither of the Issuers has any subsidiaries.

Summary of the Key Features of the ECNs

Capitalised terms used in this Summary of the Key Features of the ECNs shall have the same meanings as set out in “Terms and Conditions of the Dated ECNs” or “Terms and Conditions of the Undated ECNs” (as applicable) (the “Conditions”).

Issuer	LBG Capital No.1 or LBG Capital No.2 (as specified in the applicable Final Terms).
Guarantor(s)	LBG and/or LTSB (as specified in the applicable Final Terms).
Maturity Date	The maturity date of each Series (as defined below) of Dated ECNs will be specified in the applicable Final Terms. The Undated ECNs are perpetual securities in respect of which there is no fixed redemption date.
Interest Basis	Fixed Rate, Floating Rate or Fixed/Floating Rate, as indicated in the relevant Final Terms.

Status of the ECNs	Direct, unsecured and subordinated obligations of the relevant Issuer. The rights and claims of the holders of the Dated ECNs (the “Dated ECN Holders”) and Couponholders are subordinated as described in Condition 3(b) of the Dated ECNs. The rights and claims of the holders of the Undated ECNs (the “Undated ECN Holders”) and Couponholders are subject to the solvency condition described in Condition 5(a) of the Undated ECNs and are subordinated as described in Condition 3(b) of the Undated ECNs.
Status of the relevant Guarantee (Dated ECNs)	Irrevocable and unconditional guarantee of due and punctual payment of all sums from time to time payable by the relevant Issuer. The obligations of the relevant Guarantor(s) under the Guarantee constitute direct, unsecured and subordinated obligations, as described in Condition 4(b) of the Dated ECNs.
Status of the relevant Guarantee (Undated ECNs)	Irrevocable and unconditional guarantee of due and punctual payment of all sums from time to time payable by the relevant Issuer. The obligations of the relevant Guarantor(s) under the Guarantee constitute direct, unsecured and subordinated obligations, subject to the solvency condition described in Condition 5(a) of the Undated ECNs and subordinated as described in Condition 4(b) of the Undated ECNs.
Solvency Condition (Undated ECNs only)	Except in a winding up or administration (or similar process), payments in respect of the Undated ECNs and the relevant Guarantee are conditional upon the relevant Guarantor being solvent at the time when the relevant payment is due to be made.
Interest Deferral (Undated ECNs only)	The relevant Guarantor(s) may procure the relevant Issuer to elect to defer any payment of interest which is otherwise scheduled to be paid on an Interest Payment Date or any Accrued Conversion Interest which is otherwise due to be paid on the Conversion Date, except in certain limited circumstances. Such deferred interest shall constitute Deferred Interest Payments and such deferred Accrued Conversion Interest shall constitute Deferred Accrued Conversion Interest.
Satisfaction of Deferred Interest Payments and Deferred Accrued Conversion Interest (Undated ECNs only)	The relevant Issuer shall satisfy in full any outstanding and unpaid Deferred Interest Payment: (i) in cash upon any redemption of the Undated ECNs pursuant to the Conditions (other than pursuant to Condition 9(b)(i)); (ii) (except where the solvency condition is not satisfied) in cash at any time at its option upon the expiry of not less than 14 days' notice to such effect given by the relevant Issuer; (iii) in cash on a winding up of the relevant Issuer or the relevant Guarantor, but without prejudice to the provisions of the Conditions subordinating the claims of holders of Undated ECNs and Coupons; or (iv) in any event, in relation to any Deferred Interest Payment relating to any particular Interest Payment Date, as soon as reasonably

practicable and in any event within three months following such Interest Payment Date, but in any such case pursuant to this sub-paragraph (iv) only by operation of the ACSM.

The relevant Issuer shall satisfy in full any Deferred Accrued Conversion Interest: (i) as soon as practicable by operation of the procedures of the ACSM or (ii) to the extent not satisfied in accordance with (i), in cash on a winding up of the relevant Issuer or the relevant Guarantor, but without prejudice to the provisions of the Conditions subordinating the claims of holders of Undated ECNs and Coupons.

The ACSM is a procedure for effecting the sale of ordinary shares in the capital of LBG (the “Ordinary Shares”) having a market value at least equivalent to the relevant Deferred Interest Payment or Deferred Accrued Conversion Interest. The proceeds of such sale are applied to pay such Deferred Interest Payment or Deferred Accrued Conversion Interest, as the case may be.

Redemption

The relevant Final Terms will specify the redemption amount or the basis for calculating the redemption amount.

The Final Terms relating to each Tranche (as defined below) of ECNs will indicate either that (i) the ECNs of that Tranche cannot be redeemed prior to their stated maturity (if any) (other than in the case of a Tax Event or a Capital Disqualification Event) or (ii) such ECNs will be redeemable prior to such stated maturity (if any) at the option of the relevant Issuer upon giving such notice period as is indicated in the Conditions to the holders of such ECNs, on a date or dates specified, and at a price or prices and on such terms as are indicated, in the applicable Final Terms.

Events of Default

If any of the following events occurs, the Trustee at its discretion may, and if so requested by holders of at least one-quarter in principal amount of the ECNs then outstanding or if so directed by an Extraordinary Resolution shall, give notice to the Issuer that the ECNs are, and they shall immediately become, due and payable at their principal amount together with any accrued and unpaid interest and (in the case of the Undated ECNs only) outstanding and unsatisfied Deferred Interest Payments:

- (i) default is made for a period of seven days or more in the payment of any principal or premium (if any) or 14 days or more in the payment of any interest due in respect of the ECNs or any of them; or
- (ii) an order is made or a resolution is passed for the winding-up of the relevant Issuer or the relevant (or either) Guarantor (other than a winding-up which has been approved previously in writing by the Trustee or by an

Extraordinary Resolution of the ECN Holders).

The only remedies available to the Trustee or any ECN Holder or Couponholder for recovery of amounts owing in respect of the ECNs following the occurrence of any of the events listed above will be the institution of proceedings for the winding-up of the relevant Issuer and/or the relevant Guarantor(s) and/or proving in the winding-up of the relevant Issuer and/or the relevant Guarantor(s) and/or claiming in the liquidation of the relevant Issuer and/or the relevant Guarantor(s) for such payment.

No ECN Holder or Couponholder shall be entitled to proceed directly against the relevant Issuer and/or the relevant Guarantor(s) or to institute proceedings for the winding-up or claim in the liquidation of the relevant Issuer and/or the relevant Guarantor(s) or to prove in such winding-up unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing, in which case the ECN Holder or Couponholder shall have only such rights against the relevant Issuer and/or the relevant Guarantor(s) as those which the Trustee is entitled to exercise as set out in Condition 12 of the Dated ECNs or Condition 14 of the Undated ECNs, as the case may be.

Mandatory Conversion

If the Conversion Trigger occurs (prior to the occurrence of a Relevant Event), each ECN will be converted on the Conversion Date into Ordinary Shares at the prevailing Conversion Price, as more fully described in the Conditions and the Deed Poll.

The ECNs are not convertible at the option of holders of the ECNs (the "ECN Holders") at any time.

The "Conversion Trigger" shall occur if at any time, as disclosed in the latest published annual or semi-annual consolidated financial statements of LBG or as otherwise publicly disclosed by LBG at any time, LBG's Consolidated Core Tier 1 Ratio is less than 5 per cent.

Relevant Event

If the Conversion Trigger occurs at any time after the occurrence of a Qualifying Relevant Event, the ECNs will be convertible into Relevant Shares of the Approved Entity at the prevailing Conversion Price.

Following the occurrence of a Non-Qualifying Relevant Event (unless the Conversion Trigger has already occurred), outstanding ECNs will not be subject to Conversion at any time, notwithstanding that a Conversion Trigger may occur subsequently.

A "Relevant Event" shall occur if any person or persons acting in concert (as defined in the Takeover Code of the United Kingdom Panel on Takeovers and Mergers), acquires control of

LBG (other than as a result of an Exempt Newco Scheme).

Clearing Systems

Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the relevant Issuer, the Guarantor, the Issuing, Paying and Conversion Agent and the Trustee.

Denomination

As indicated in the relevant Final Terms provided that, in the case of Restricted ECNs, the ECNs shall have a minimum denomination of U.S.\$100,000 and (if applicable) integral multiples of U.S.\$1,000 in excess thereof up to (and including) U.S.\$199,000.

Additional Amounts

Payments in respect of the ECNs will be made without withholding or deduction for or on account of United Kingdom taxes, unless the withholding or deduction is required by law, in which event there shall be a gross up, subject to customary exceptions.

Credit Ratings

Each Tranche of ECNs may be rated or unrated. A rating is not a recommendation to buy, hold or sell securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Governing Law

The Trust Deed, the Agency Agreement, the Deed Poll and (in the case of Undated ECNs), the ACSM Calculation Agency Agreement (if any), each as defined in the Dated ECN Conditions or the Undated ECN Conditions, as the case may be, and the ECNs, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law, save that where LBG is the (or a) Guarantor, the provisions of Condition 4 of the Dated ECNs and Undated ECNs (and related provisions in the Trust Deed) relating to the status and subordination of the Guarantee, as they apply to LBG, will be governed by, and shall be construed in accordance with, Scots law.

Listing and Trading

Applications will be made for the ECNs that are intended to be listed and/or admitted to trading to be admitted to the Official List and to trading on the Market (or admitted to listing and/or trading on such other or further market(s) or stock exchange(s) as the relevant Issuer may agree). The Market is a regulated market for the purposes of the Markets in Financial Instruments Directive.

Clearing

The ECNs will be accepted for clearing by Euroclear and Clearstream, Luxembourg. The ECNs will have the Common Code and International Securities Identification Number as set out in the relevant Final Terms. The ECNs will not settle through the facilities of the Depository Trust Company.

Mandatory Resale

The ECNs are subject to transfer restrictions as set out in “Transfer Restrictions”. The Trust Deed will contain provisions entitling the relevant Issuer or the Guarantor(s) to require the holder of a Restricted ECN or a beneficial owner of ECNs represented by an interest in a Restricted Global Certificate to sell its Restricted ECN or its interest in such ECNs, as applicable, or to arrange for such Restricted ECN or interest to be sold on behalf of the relevant holder or beneficial owner, if such holder or beneficial owner is a U.S. person that is not a qualified institutional buyer (as defined in Rule 144A under the Securities Act) who, in the judgement of LBG, has purchased its ECNs in a transaction that is not exempt from the registration requirements of the Securities Act.

Selling Restrictions

There are restrictions in relation to the offering and sale of ECNs and the distribution of offering materials in certain jurisdictions. See “Selling Restrictions” and “Transfer Restrictions” below. The ECNs will not be eligible for resale pursuant to Rule 144A.

Risk Factors

The Group’s operating results, financial condition and prospects could be materially and adversely affected by certain events or other factors, including the risks summarised below:

Risks relating to the Group

- risks arising from general and sector specific economic conditions in the UK and other markets and further adverse economic developments;
- risks associated with the shareholding of The Commissioners of Her Majesty’s Treasury (“HM Treasury”);
- risks relating to the aid given by HM Treasury to the Group being subject to state aid review, the outcome of which is uncertain and which may lead to the Group having to repay the aid or the imposition of conditions on the Group that may be significantly adverse to its interests and are expected to prevent the Group from paying dividends on its Ordinary Shares until 31 January 2012;
- risks associated with reform of the structure and regulation of the banking system set out in a White Paper issued by the U.K. Government in July 2009;
- risks arising from certain undertakings provided to HM Treasury in relation to the operation of the Group’s business;
- risks of material negative changes to the estimated fair values of financial assets of the Group;
- risks of failing to realise benefits from, and incurring unanticipated costs associated with, the acquisition by Lloyds Banking Group of HBOS, which was effected by way of a court approved scheme of arrangement (the “Acquisition”);
- risks relating to insurance claims rates, pension scheme benefit payment levels and changes in insurance customer and employee pension scheme member behaviour;

- risks relating to contributing to compensation schemes in respect of banks and other authorised financial services firms in the UK that are unable to meet their obligations to customers;
- risks of assumptions and estimates on which the Group's financial statements are based being wrong;
- risk of reliance on dividends from subsidiaries; and
- risks associated with changes in taxation rates or law or interpretation of the law.

Risks relating to the ECNs

- ECNs are mandatorily convertible into Ordinary Shares in certain prescribed circumstances;
- the obligations of the relevant Issuer and the relevant Guarantor(s) under the ECNs are subordinated;
- there is no active trading market for the ECNs and potentially one may not develop;
- restricted remedies for non-payment;
- deferral of payments of interest on Undated ECNs; and
- the relevant Issuer's payment obligations under the ACSM may be suspended in the event there are not a sufficient number of Payment LBG Shares available.

RISK FACTORS

The Issuers and the Guarantors believe that the following factors may affect their ability to fulfil their respective obligations under the ECNs issued under the Programme and the Guarantees. All of these factors are contingencies which may or may not occur and the Issuers and the Guarantors are not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuers and the Guarantors believe to be material for the purposes of assessing the market risks associated with ECNs issued under the Programme are also described below.

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

1. Risks relating to the Group

The risk factors relating to the Group set out on pages 19 to 43 (“Risk Factors relating to the Issuers”) of the US MTN Prospectus are incorporated by reference into this Prospectus.

2. Risks relating to the ECNs generally

Capitalised terms used but not otherwise defined in this sub-section 2 (“Risks relating to the ECNs generally”) shall have the meanings given to them in the Conditions.

2.1 ECNs may not be a suitable investment for all investors

Each potential investor in any ECN 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 ECNs, the merits and risks of investing in the relevant ECNs and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (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 ECNs and the impact such investment will have on its overall investment portfolio;
- (iii) understand thoroughly the terms of the relevant ECNs and be familiar with the behaviour of financial markets in which they participate; and
- (iv) 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.

The ECNs are complex financial instruments and such instruments may be purchased by potential 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 ECNs unless it has the expertise (either alone or with a financial adviser) to evaluate how the ECNs will perform under changing conditions, the resulting effects on the value of the ECNs and the impact this investment will have on the potential investor’s overall investment portfolio.

2.2 ECNs are mandatorily convertible into Ordinary Shares in certain prescribed circumstances

If at any time (as disclosed in the latest published annual or semi-annual consolidated financial statements of Lloyds Banking Group or as otherwise publicly disclosed by Lloyds Banking Group at any time) Lloyds Banking Group's Consolidated Core Tier 1 ratio is less than 5 per cent., the ECNs will mandatorily convert at the prevailing Conversion Price into Ordinary Shares. As a result, investors in the relevant ECNs will become Shareholders in Lloyds Banking Group when its published Consolidated Core Tier 1 Ratio (as so disclosed) breaches this level. The deterioration in such capital ratio may be accompanied by a deterioration in the trading price of the Ordinary Shares, such that investors would receive Ordinary Shares at a time when both the capital ratios and the share price of Lloyds Banking Group are diminished. The ECNs are not convertible into Ordinary Shares at the option of the ECN Holders at any time. Because of the nature of the Conversion Trigger, it will be very difficult to predict with any certainty when or if Conversion will occur. Accordingly, trading behaviour in respect of the relevant ECNs is not necessarily expected to follow trading behaviour associated with other types of convertible or exchangeable securities.

If in the future Lloyds Banking Group were to be the subject of a takeover, depending on the nature of the acquiror and whether or not certain conditions are satisfied, the conversion feature on the relevant ECNs may be disappplied permanently or, alternatively, any conversion following such takeover may be into ordinary shares of the acquiror, all as more fully described in the Conditions.

2.3 Risks attached to Conversion

If Conversion of the relevant ECNs is triggered at a time when the prevailing price of the Ordinary Shares is below the relevant Conversion Price, an ECN Holder will be obliged to accept delivery of the Ordinary Shares at that Conversion Price, which might be substantially higher than the prevailing price of the Ordinary Shares and an ECN Holder would thereby receive Ordinary Shares with a market value substantially less than the principal amount of that holder's ECNs. The further the Ordinary Share price falls below the relevant Conversion Price, the greater the risk of a material decline in the market price of the relevant ECNs.

2.4 ECN Holders will bear the risk of fluctuation in the price of the Ordinary Shares and/or Lloyds Banking Group's Consolidated Core Tier 1 Ratio

The market price of the ECNs is expected to be affected by fluctuations in the market price of the Ordinary Shares, in particular if at any time there is a significant deterioration in Lloyds Banking Group's Consolidated Core Tier 1 Ratio, and it is impossible to predict whether the price of the Ordinary Shares will rise or fall. Trading prices of the Ordinary Shares will be influenced by, among other things, the financial position of the Group, the results of operations and political, economic, financial and other factors. Any decline in the price of the Ordinary Shares or any indication that Lloyds Banking Group's Consolidated Core Tier 1 Ratio is trending towards the Conversion Trigger may have an adverse effect on the market price of the ECNs. The level of Lloyds Banking Group's Consolidated Core Tier 1 Ratio may significantly affect the trading price of the ECNs and/or the Ordinary Shares.

2.5 The remedies available to an ECN Holder upon enforcement of Lloyds Banking Group's obligations under the Deed Poll are limited, and the Trustee will have no power of enforcement or otherwise under or in respect of the Deed Poll

An ECN Holder may at its discretion and without notice institute such proceedings against Lloyds Banking Group as it may think fit to enforce any term or condition binding on Lloyds Banking Group under the Deed Poll, but may not take any proceedings to enforce any obligation of Lloyds Banking

Group under or arising from the Deed Poll for the payment of any sum (including any damages awarded for breach of any obligations) other than instituting proceedings for the winding-up of Lloyds Banking Group, proving in any winding-up of Lloyds Banking Group and/or claiming in any liquidation of Lloyds Banking Group. The Trustee will have no power of enforcement or otherwise under or in respect of the Deed Poll on behalf of holders of the ECNs.

2.6 Restricted remedies for non-payment

In accordance with the FSA's requirements for Upper Tier 2 and Lower Tier 2 Capital, the sole remedy against the relevant Issuer and/or the relevant Guarantor(s) available to the Trustee to recover any amounts owing in respect of the principal of, premium or interest on, the ECNs will be to institute proceedings for, or prove in, the winding-up or claim in the liquidation of the relevant Issuer and/or the relevant Guarantor(s) for such payment. See "Terms and Conditions of the Dated ECNs – Events of Default" or "Terms and Conditions of the Undated ECNs — Events of Default" (as applicable).

2.7 Ordinary Shares to be delivered upon Conversion of the ECNs in uncertificated form will be delivered through CREST and will not be available for issue or delivery to, or to a nominee for, Euroclear or Clearstream, Luxembourg

The ECNs will be delivered and traded in Euroclear and/or Clearstream, Luxembourg. Ordinary Shares to be delivered upon Conversion of the ECNs will be delivered in uncertificated form through the dematerialised securities trading system operated by Euroclear UK & Ireland Limited, known as CREST, unless at the relevant time the Ordinary Shares are not a participating security in CREST, in which case Ordinary Shares will be delivered in certificated form.

Therefore, in the event of Conversion of the ECNs into Ordinary Shares to be delivered in uncertificated form, ECN Holders will need to have access to CREST in order to accept their entitlement to Ordinary Shares.

The Ordinary Shares to be issued on Conversion of the ECNs will not be available for issue or delivery (i) to, or to a nominee for, Euroclear or Clearstream, Luxembourg, or any other person providing a clearance service within the meaning of Section 96 of the Finance Act 1986 of the United Kingdom or (ii) to a person, or nominee or agent for a person, whose business is or includes issuing depository receipts within the meaning of Section 93 of the Finance Act 1986 of the United Kingdom, in each case at any time prior to the "abolition day" as defined in Section 111(1) of the Finance Act 1990 of the United Kingdom or (iii) to the CREST account of such person described in (i) or (ii).

2.8 ECN Holders must deliver a Conversion Notice within the relevant timeframe following a Conversion Trigger to receive Ordinary Shares

In order to obtain delivery of the relevant Ordinary Shares on a Conversion of the ECNs, the relevant ECN Holder must (a) if the ECNs held by it are in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver a duly completed Conversion Notice, together with the relevant ECNs or Certificates representing the same (in the case of Registered ECNs) to the specified office of any ECN Paying and Conversion Agent at least five business days in the relevant place of delivery prior to the Conversion Date or (b) if the ECNs held by it are represented by a Global Security or are in definitive form and held through Euroclear or Clearstream, Luxembourg, give a notice to the Issuing, Paying and Conversion Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg at least five business days in the relevant place of delivery prior to the Conversion Date (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depository for them to the Issuing, Paying and Conversion Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time with the following details: (1) the name of the ECN Holder; (2) the principal amount of ECNs

held by it; (3) the CREST account details or, if on Conversion the Ordinary Shares are not a participating security in CREST, the address to which the Ordinary Shares should be delivered; and (4) such other details as Euroclear or Clearstream, Luxembourg may require. If the Conversion Notice and relevant ECNs or the Certificates representing the same (in the case of a Registered ECN), are not delivered to the specified office of an ECN Paying and Conversion Agent on or before such date, then on the settlement date the relevant Ordinary Shares will be issued or delivered to a person selected by Lloyds Banking Group and will be sold as soon as reasonably practicable by or on behalf of such person subject to any necessary consents being obtained and to the deduction by or on behalf of such person of any amount payable in respect of its liability to taxation and the payment of any capital, stamp, issue, registration and/or transfer taxes and duties (if any) and any fees or costs incurred by or on behalf of such person. The net proceeds of the sale of such Ordinary Shares shall as soon as reasonably practicable be distributed rateably to the relevant ECN Holders in accordance with the Conditions or in such other manner and at such time as Lloyds Banking Group shall determine and notify to the ECN Holders.

2.9 ECN Holders have limited anti-dilution protection

The Conversion Price at which the relevant ECNs may be converted into Ordinary Shares will be adjusted in the event that there is a consolidation, reclassification or subdivision of the Ordinary Shares, capitalisation of profits, capital distributions or cash dividends, rights issues or grant of other subscription rights or other adjustment which affects the Ordinary Shares, but only in the situations and only to the extent provided in the Deed Poll. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Ordinary Shares. Events in respect of which no adjustment is made may adversely affect the value of the Ordinary Shares and, therefore, adversely affect the value of the relevant ECNs.

2.10 The obligations of the relevant Issuer and the relevant Guarantor(s) under the ECNs are subordinated

The rights and claims of the ECN Holders and the Couponholders and under the Guarantee or Guarantees will be subordinated to the claims of all Issuer Senior Creditors and all Guarantor Senior Creditors, as the case may be. See “Terms and Conditions of the Dated ECNs – Status and Subordination of the ECNs, and Guarantee: Status and Subordination of the Guarantee” or “Terms and Conditions of the Undated ECNs – Status and Subordination of the ECNs, and Guarantee: Status and Subordination of the Guarantee”, (as applicable). There is a material risk that a holder of the ECNs will lose all or some of its investment should the relevant Issuer or the relevant Guarantor(s) become insolvent.

In particular, ECN Holders should be aware that the Dated ECNs will comprise Lower Tier 2 regulatory capital of the Group and the Undated ECNs will comprise Upper Tier 2 regulatory capital of the Group. However, in the event that the ECNs are converted into Ordinary Shares, ECN Holders will be effectively further subordinated due to the conversion from a debt instrument to ordinary shares, and there is an enhanced risk that ECN Holders will lose all or some of their investment should Lloyds Banking Group (or, if applicable, the relevant Acquiror) become insolvent.

2.11 Redemption risk

A Series of ECNs may, if so stated in the relevant Final Terms and subject as provided in the “Terms and Conditions of the Dated ECNs”, as set out herein (the “Dated ECN Conditions”), and the “Terms and Conditions of the Undated ECNs”, as set out herein (the “Undated ECN Conditions”), (as the case may be) and subject to the prior consent of the FSA, be redeemed in whole (but not in part) prior to its stated Maturity Date (in the case of the Dated ECNs) on the Optional Redemption Dates specified in

the relevant Final Terms at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the relevant Final Terms, together with any accrued but unpaid interest to (but excluding) the relevant Optional Redemption Date (and, in the case of Undated ECNs, any outstanding and unsatisfied Deferred Interest Payments).

In addition, upon the occurrence of a Tax Event or a Capital Disqualification Event (each as defined and more fully described in “Terms and Conditions of the Dated ECNs – Redemption and Purchase” or “Terms and Conditions of the Undated ECNs – Redemption and Purchase” (as applicable), a Series of ECNs may, subject to the relevant Conditions, be redeemed in whole (but not in part) by the relevant Issuer at any time (in the case of a Fixed Rate ECN or in the Fixed Interest Rate Period in the case of a Fixed/Floating Rate ECN) or on any Interest Payment Date (in the case of a Floating Rate ECN or in the Floating Interest Rate Period in the case of a Fixed/Floating Rate ECN) prior to the Maturity Date specified in the relevant Final Terms (in the case of Dated ECNs), in each case at the Tax Event Redemption Price or the Capital Disqualification Event Redemption Price (as the case may be), together with accrued but unpaid interest (and, in the case of Undated ECNs, any outstanding and unsatisfied Deferred Interest Payments).

2.12 ECN Holders have no right to call for redemption

The Issuers are under no obligation to redeem any Series of ECNs at any time (in the case of Undated ECNs) or at any time prior to the stated Maturity Date (in the case of Dated ECNs) and the ECN Holders shall have no right to call for their redemption at any time.

2.13 There is no limitation on issuing securities

There is no restriction on the amount of securities or indebtedness which the Issuers or the Guarantors may issue or incur which rank senior to or *pari passu* with the ECNs or the Guarantee. The issue of any such securities or indebtedness may reduce the amount recoverable by ECN Holders on a winding-up of the relevant Issuer or the relevant Guarantor, or the appointment of an administrator of the relevant Issuer or relevant Guarantor where the administrator has declared, or given notice that it intends to declare and distribute, a dividend. In addition, the ECNs do not contain any restriction on Lloyds Banking Group issuing equity securities that may have preferential rights to the Ordinary Shares and any such issuance would not necessarily result in an adjustment to the Conversion Price.

2.14 There is no active trading market for the ECNs and one may not develop

ECNs may have no established trading market when issued and one may never develop. If a market does develop, it may not be liquid. If the ECNs are traded after their initial issuance, they may trade at a discount to their issue price, depending upon prevailing interest rates, the market for similar securities, general economic conditions, the Group’s results of operations, fluctuations in Lloyds Banking Group’s Consolidated Core Tier 1 Ratio and the market price of the Ordinary Shares. Although application will be made for each Tranche of ECNs which is intended to be listed, when issued, to be listed on the Official List of the United Kingdom Listing Authority and traded on the Regulated Market of the London Stock Exchange (or, if so specified in the relevant Final Terms, listed and/or admitted to trading on another stock exchange), there is no assurance that such applications will be accepted or that an active trading market will develop. The ECNs are likely to have a more limited secondary market and more price volatility than conventional debt securities. Accordingly, there is no assurance as to the development or liquidity of any trading market for the ECNs. Illiquidity may have a material adverse effect on the market value of the ECNs.

2.15 The credit ratings may not be reliable and changes to the credit ratings could affect the value of the ECNs

Credit ratings may not reflect the potential impact of all risks relating to the value of the ECNs. Real or anticipated changes in the credit ratings of the relevant Issuer and/or relevant Guarantor of the ECNs will generally affect the market value of the ECNs. If rated, the applicable rating(s) will be specified in the relevant Final Terms. There can be no assurance that the methodology of the ratings agencies will not evolve or that such ratings will not be suspended, reduced or withdrawn at any time by the assigning rating agency. Further, such credit ratings may be revised downwards in the event of a deterioration in the Consolidated Core Tier 1 Ratio of Lloyds Banking Group. A rating is not a recommendation to buy, hold or sell securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

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

Each Series of ECNs to be issued in bearer form will initially be represented by one or more Global Notes and each Series of ECNs to be issued in registered form will initially be represented by a Global Certificate. Such Global Notes or Global Certificates will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive ECNs in definitive form. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes or Global Certificates. While the ECNs are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg.

The relevant Issuer will discharge its payment obligations under the ECNs by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their accountholders. A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the ECNs. The relevant Issuer and the relevant Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates.

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

3. Additional risks relating to the Undated ECNs

3.1 Deferral of payments of interest in respect of Undated ECNs

The relevant Guarantor(s) may procure the relevant Issuer to elect, subject to the Undated ECN Conditions, to defer the payment of any interest which is otherwise scheduled to be paid on an Interest Payment Date. Except where either Conditions 3(b) or 4(b) of the Undated ECN Conditions applies, payments in respect of or arising under (including any damages awarded for breach of any obligations under) the Undated ECNs and the relative Coupons are, in addition to the right of the relevant Guarantor(s) to procure the relevant Issuer to defer payment of interest, conditional upon such Guarantor(s) being solvent at the time when the relevant payment is due to be made pursuant to the Undated ECN Conditions and no principal, premium, interest or any other amount will be due and payable in respect of or arising from the Undated ECNs, the relative Coupons and the Trust Deed except to the extent that, on the assumption that such payment is to be made by such Guarantor(s),

such Guarantor(s) could make such payment and would still be solvent immediately thereafter. See “Terms and Conditions of the Undated ECNs – Solvency Condition and Set-off”.

Any such payments that the relevant Guarantor procures the relevant Issuer to defer, together with any payments of interest scheduled to be made on an Interest Payment Date which are not made because the solvency condition is not met on such Interest Payment Date, shall be deferred and constitute Deferred Interest Payments or Deferred Accrued Conversion Interest, as the case may be. Deferred Interest Payments will be payable by the relevant Issuer (i) in cash upon any redemption of the Undated ECNs (other than pursuant to Condition 9(b)(i) of the Undated ECNs); (ii) (except where the solvency condition applies) in cash at any time at its option upon the expiry of not less than 14 days’ notice to such effect given by the Issuer to the ECN Holders, the Trustee and the Issuing, Paying and Conversion Agent; (iii) in cash where Condition 3(b) or 4(b) of the Undated ECNs applies, but without prejudice to the provisions of the Conditions of the Undated ECNs subordinating the claims of holders of Undated ECNs and Coupons; or (iv) in any event, in relation to any Deferred Interest Payment relating to any particular Interest Payment Date, as soon as reasonably practicable and in any event within three months following such Interest Payment Date, but in any such case in this subparagraph (iv) only by the operation of the Alternative Coupon Satisfaction Mechanism. Deferred Accrued Conversion Interest will be payable by the relevant Issuer (a) as soon as practicable by operation of the Alternative Coupon Satisfaction Mechanism or (b) to the extent not satisfied in accordance with (a), in cash where Condition 3(b) or 4(b) of the Undated ECNs applies, but without prejudice to those provisions of the Conditions of the Undated ECNs subordinating the claims of holders of Undated ECNs and Coupons. Interest will not accrue on any Deferred Interest Payment or Deferred Accrued Conversion Interest.

3.2 Sufficiency and availability of Ordinary Shares

The ability of the relevant Issuer to use the ACSM to satisfy any Deferred Interest Payments or Deferred Accrued Conversion Interest in respect of the ECNs on a relevant ACSM Payment Date is subject to the following conditions: (i) Lloyds Banking Group shall not be required to issue any Payment LBG Shares, or cause them to be issued, at a price below their nominal value; (ii) Lloyds Banking Group having a sufficient number of authorised but unissued Payment LBG Shares prior to any issue of Payment LBG Shares in accordance with Condition 8(b) of the Undated ECNs; and (iii) the directors of Lloyds Banking Group (the “Directors”) must have the necessary authority under Scots law to issue and allot a sufficient number of Payment LBG Shares in accordance with Condition 8(b) of the Undated ECNs. If, after Lloyds Banking Group having used all reasonable endeavours, any Deferred Interest Payment or Deferred Accrued Conversion Interest is not satisfied in accordance with Condition 8 of the Undated ECNs (whether as a consequence of the proceeds of issue and/or sale of Payment LBG Shares being insufficient to discharge such Deferred Interest Payment or Deferred Accrued Conversion Interest or as a consequence of the relevant Issuer being unable to operate the ACSM by reason of the operation of Condition 8(d) or 8(e) of the Undated ECNs, or otherwise), this shall not constitute a default for any purpose on the part of the relevant Issuer or the relevant Guarantor. Any such Deferred Interest Payment or Deferred Accrued Conversion Interest not so satisfied shall continue to fall to be settled as soon as reasonably practicable in accordance with Condition 7(b) of the Undated ECNs (in the case of Deferred Interest Payment) or Condition 7(c) of the Undated ECNs (in the case of any Deferred Accrued Conversion Interest) and, to the extent of the shortfall, the direction and authorisation to pay a Deferred Interest Payment or Deferred Accrued Conversion Interest to Lloyds Banking Group pursuant to Condition 8(b) of the Undated ECNs shall lapse.

3.3 Market Disruption Event

If, at any time after the Issuer has given notice to ECN Holders that it intends to utilise the Alternative Coupon Satisfaction Mechanism to satisfy a payment by the relevant Issuer, a Market Disruption Event exists, the payment of all such amounts owing may be deferred until the cessation of such market disruption, as more particularly described in “Terms and Conditions of the Undated ECNs – Alternative Coupon Satisfaction Mechanism – Market Disruption Event”.

4. Other risks relating to the ECNs generally

4.1 Modification and waivers

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

4.2 Change of law

The Conditions are based on English law in effect as at the date of issue of the ECNs. No assurance can be given as to the impact of any possible judicial decision or change in English law or administrative practice after the date of issue of the ECNs.

4.3 The U.S. Internal Revenue Service could seek to characterise the ECNs other than as equity in Lloyds Banking Group for U.S. federal income tax purposes, which could have adverse tax consequences to U.S. investors

Although a strong likelihood exists that the ECNs will be treated as equity of Lloyds Banking Group for U.S. federal income tax purposes, alternative characterisations are possible and some of those characterisations could have adverse U.S. federal income tax consequences to U.S. investors. For example, if the ECNs were treated as equity of the relevant Issuer and the relevant Issuer were a passive foreign investment company, a U.S. investor would be subject to material adverse U.S. federal income tax consequences, such as the requirement to pay a special U.S. addition to tax on certain distributions on, and gains on sale of, the ECNs. Alternatively, the U.S. Internal Revenue Service could seek to characterise the ECNs as debt of Lloyds Banking Group or the relevant Issuer. See “Taxation Considerations – Certain U.S. Federal Income Tax Considerations”

4.4 EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each member state of the European Union (“Member States”) of the European Economic Area, including Belgium from 1 January 2010, is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain other persons in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria may instead operate a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland) with effect from the same date.

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

If a payment were to be made or collected through a Member State which has opted for a withholding system, or through another country that has adopted similar measures, and an amount of or in respect of tax were to be withheld from that payment, neither the relevant Issuer nor any paying agent nor any other person would be obliged to pay additional amounts with respect to any ECN as a result of the imposition of such withholding tax. However, each Issuer is required to maintain a paying agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

4.5 Minimum Specified Denominations

In relation to any ECNs which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the ECNs may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of the minimum Specified Denomination. In such case, an ECN Holder who, as a result of such trading amounts, holds a principal amount of less than the minimum Specified Denomination (as defined in the Conditions) will not receive a definitive bearer ECN for which a Global Note may be exchanged (a "Definitive Note") in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of ECNs such that it holds an amount equal to one or more Specified Denominations.

TERMS AND CONDITIONS OF THE DATED ECNs

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

The Enhanced Capital Notes (“ECNs”) are constituted by a trust deed dated 1 December 2009 (as amended or supplemented from time to time, the “Trust Deed”) between LBG Capital No. 1 plc, LBG Capital No. 2 plc (each an “Issuer” and together, the “Issuers”), Lloyds Banking Group plc (“LBG”), Lloyds TSB Bank plc (“LTSB”) and BNY Corporate Trustee Services Limited (the “Trustee”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the ECN Holders. These terms and conditions (the “Conditions”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer ECNs, Certificates, Coupons and Talons referred to below. In connection with Conversion of the ECNs, LBG has entered into a deed poll dated 1 December 2009 (as amended or supplemented from time to time, the “Deed Poll”). A paying and conversion agency agreement dated 1 December 2009 (as amended or supplemented from time to time, the “Agency Agreement”) has been entered into in relation to the ECNs between the Issuers, LBG, LTSB, the Trustee, The Bank of New York Mellon (Luxembourg) S.A. as registrar, The Bank of New York Mellon (Luxembourg) S.A. as transfer agent, The Bank of New York Mellon as issuing, paying and conversion agent and calculation agent and the other paying and conversion agents named in it. The issuing, paying and conversion agent, the other paying and conversion agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “Issuing, Paying and Conversion Agent”, the “Paying and Conversion Agents” (which expression shall include the Issuing, Paying and Conversion Agent), the “Registrar”, the “Transfer Agents” (which expression shall include the Registrar), and the “Calculation Agent(s)”. Copies of the Trust Deed, the Deed Poll and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at One Canada Square, London E14 5AL, United Kingdom) and at the specified offices of the Paying and Conversion Agents and the Transfer Agents.

The ECN Holders and the holders of the interest coupons (the “Couponholders” and the “Coupons” respectively) relating to Bearer ECNs and, where applicable in the case of Bearer ECNs, talons for further Coupons (the “Talons”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement and the Deed Poll.

Unless otherwise defined in these Conditions or the Trust Deed and unless the context otherwise requires, terms defined and references construed in the Deed Poll shall have the same meaning and construction in these Conditions. Unless otherwise defined in these Conditions, the Trust Deed or the Deed Poll, capitalised terms have the meanings given to them in the relevant final terms relating to the ECNs (the “Final Terms”), the absence of any such meaning indicating that such term is not applicable to the ECNs.

In these Conditions, references to (i) “the Issuer” are to the entity specified as the Issuer in the relevant Final Terms; (ii) “Tranche” means ECNs which are identical in all respects (including as to Issue Date); and (iii) “Series” means a Tranche of ECNs together with any further Tranche or Tranches of ECNs which are (a) expressed to be consolidated and form a single series and (b) identical in all respects except for their respective Issue Dates, Interest Commencement Dates and/or issue prices.

1. Form, Denomination and Title

The ECNs are issued in bearer form (“Bearer ECNs”) or in registered form (“Registered ECNs”) as specified in the relevant Final Terms. Each ECN will be issued in the Specified Denomination(s) specified in the relevant Final Terms.

This ECN is a Fixed Rate ECN, a Floating Rate ECN or a Fixed/Floating Rate ECN, depending upon the Interest Basis shown in the relevant Final Terms.

Bearer ECNs are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached.

Registered ECNs are represented by registered certificates (“Certificates”) and, save as provided in Condition 2(b), each Certificate shall represent the entire holding of Registered ECNs by the same holder.

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

2. No Exchange of ECNs and Transfers of Registered ECNs

(a) No Exchange of ECNs

Registered ECNs may not be exchanged for Bearer ECNs. Bearer ECNs may not be exchanged for Registered ECNs. Bearer ECNs of one Specified Denomination may not be exchanged for Bearer ECNs of another Specified Denomination.

(b) Transfers of Registered ECNs

One or more Registered ECNs may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered ECNs to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. A new Certificate shall be issued to the transferee in respect of the Registered ECNs the subject of the relevant transfer and, in the case of a transfer of part only of a holding of Registered ECNs represented by one Certificate, a new Certificate in respect of the balance of the Registered ECNs not transferred shall be issued to the transferor. In the case of a transfer of Registered ECNs to a person who is already a holder of Registered ECNs, a new Certificate representing the enlarged holding may be issued but only against surrender of the Certificate representing the existing holding of such person. All transfers of Registered ECNs and entries on the Register will be made subject to the detailed regulations concerning transfers of Registered ECNs scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior

written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any ECN Holder upon request.

(c) Delivery of New Certificates

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

(d) Transfers Free of Charge

Transfers of Registered ECNs and the issue of new Certificates on transfer shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(e) Closed Periods

No ECN Holder may require the transfer of a Registered ECN to be registered (i) during the period of 15 days ending on the due date for redemption of the ECNs pursuant to Condition 8, (ii) during the period of 15 days prior to any Conversion Date in respect of a Conversion pursuant to Condition 7(a) or (iii) during the period of seven days ending on (and including) any Record Date.

3. Status and Subordination of the ECNs

(a) Status

The ECNs and Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the ECN Holders and Couponholders are subordinated as described in Condition 3(b).

(b) Subordination

Without prejudice to the provisions of Condition 12, in the event of:

- (i) an order being made, or an effective resolution being passed, for the winding-up of the Issuer (except a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation of the Issuer or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (y) do not provide that the ECNs shall thereby become redeemable or repayable in accordance with these Conditions); or
- (ii) an administrator of the Issuer being appointed and such administrator declaring, or giving notice that it intends to declare and distribute, a dividend,

the rights and claims of the ECN Holders and the Couponholders against the Issuer in respect of or arising under (including any damages awarded for breach of any obligations under) the ECNs, the Coupons and the Trust Deed relating to them will be subordinated, in the manner provided in this Condition 3(b) and in the Trust Deed, to the claims of all Issuer Senior Creditors but shall rank (A) at least *pari passu* with the claims of holders of all other subordinated obligations of the Issuer and (B) in priority to the claims of holders of all undated or perpetual subordinated obligations of the Issuer and to the claims of holders of all classes of share capital of the Issuer.

The provisions of this Condition 3(b) apply only to the principal, premium and interest and any other amounts payable in respect of the ECNs and Coupons and nothing in this Condition 3(b) or in Condition 12 shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

4. Guarantee; Status and Subordination of the Guarantee

In these Conditions, references to “the Guarantor” are to either or both of LBG or LTSB, as is specified as the Guarantor(s) in the relevant Final Terms.

In relation to references in these Conditions to “Guarantor”, where the relevant Final Terms specifies one of LBG or LTSB as the Guarantor, the wording appearing in the first set of brackets marked with an * shall apply to the ECNs and where both of LBG and LTSB are specified as Guarantors in the relevant Final Terms, the wording appearing in the second set of brackets marked with a ** shall apply to the ECNs.

(a) Guarantee and Status

The [Guarantor has]*/[Guarantors have, jointly and severally,]** irrevocably and unconditionally guaranteed the due and punctual payment of all principal, premium and interest and any other sums from time to time expressed to be payable by the Issuer in respect of the ECNs and the Coupons and under the Trust Deed in respect thereof. [Its]*/[Their]** obligations in that respect (the “Guarantee”) are contained in the Trust Deed. The obligations of [the]*/[each]** Guarantor under the Guarantee constitute direct and unsecured obligations of [the]*/[that]** Guarantor, subordinated as described in Condition 4(b).

(b) Subordination

Without prejudice to the provisions of Condition 12, in the event of:

- (i) an order being made, or an effective resolution being passed, for the winding-up of [the]*/[a]** Guarantor (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation of [the]*/[such]** Guarantor, the terms of which reorganisation, reconstruction or amalgamation (x) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (y) do not provide that the ECNs shall thereby become redeemable or repayable in accordance with these Conditions); or
- (ii) an administrator of [the]*/[a]** Guarantor being appointed and such administrator declaring, or giving notice that it intends to declare and distribute, a dividend,

the rights and claims of the ECN Holders and the Couponholders against [the]*/[such]** Guarantor in respect of or arising under (including any damages awarded for breach of any obligations under) the ECNs, the Coupons and the Trust Deed relating to them will be subordinated, in the manner provided in this Condition 4(b) and in the Trust Deed, to the claims of all Guarantor Senior Creditors but shall rank (a) at least *pari passu* with the claims of holders of all obligations of [the]*/[such]** Guarantor

which constitute, or would but for any applicable limitation on the amount of such capital constitute, Lower Tier 2 Capital of [the]*/[such]** Guarantor on a solo and/or consolidated basis; and (b) in priority to (01) the claims of holders of all obligations of [the]*/[such]** Guarantor which constitute, or would but for any applicable limitation on the amount of such capital constitute, Upper Tier 2 Capital or Tier 1 Capital of [the]*/[such]** Guarantor on a solo and/or consolidated basis, (02) the claims of holders of all other undated or perpetual subordinated obligations of [the]*/[such]** Guarantor, and (03) the claims of holders of all classes of share capital of [the]*/[such]** Guarantor.

The provisions of this Condition 4(b) apply only to the principal, premium and interest and any other amounts payable in respect of the ECNs and Coupons and nothing in this Condition 4(b) or in Condition 12 shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

5. Set-off

Subject to applicable law, no ECN Holder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer or [the]*/[a]** Guarantor in respect of, or arising under or in connection with, the ECNs or the Coupons and each ECN Holder and Couponholder shall, by virtue of his holding of any ECN or Coupon, be deemed to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any ECN Holder or Couponholder by the Issuer or [the]*/[a]** Guarantor in respect of, or arising under or in connection with, the ECNs is discharged by set-off, such ECN Holder or Couponholder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer or [the]*/[the relevant]** Guarantor, as the case may be, (or, in the event of its winding-up or administration, the liquidator or, as appropriate, administrator of the Issuer or [the]*/[the relevant]** Guarantor, as the case may be) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer or [the]*/[such]** Guarantor, as the case may be, (or the liquidator or, as appropriate, administrator of the Issuer or [the]*/[such]** Guarantor (as the case may be)) and accordingly any such discharge shall be deemed not to have taken place.

6. Interest Calculations

(a) Interest on Fixed Rate ECNs

Each Fixed Rate ECN bears interest on its principal amount from time to time from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Fixed Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 6(f).

(b) Interest on Floating Rate ECNs

(i) Interest Payment Dates

Each Floating Rate ECN bears interest on its principal amount from time to time from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Floating Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 6(f).

(ii) Business Day Convention

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a

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

(iii) *Floating Rate of Interest for Floating Rate ECNs*

The Floating Rate of Interest in respect of Floating Rate ECNs for each Interest Accrual Period shall be determined as provided herein:

(x) The Floating Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time if the Reference Rate is LIBOR or Brussels time if the Reference Rate is EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

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

(y) If the Relevant Screen Page is not available or if sub-paragraph (x)(1) above applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Floating Rate of Interest

for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.

- (z) If paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Floating Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks, or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Floating Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(c) Interest on Fixed/Floating Rate ECNs

Each Fixed/Floating Rate ECN bears interest on its principal amount from time to time from the Interest Commencement Date and during the Fixed Interest Rate Period at the rate per annum (expressed as a percentage) equal to the Fixed Rate of Interest, such interest being paid in arrear on each Interest Payment Date falling in the Fixed Interest Rate Period, and during the Floating Interest Rate Period at the rate per annum (expressed as a percentage) equal to the Floating Rate of Interest, such interest being paid in arrear on each Interest Payment Date falling in the Floating Rate Interest Period. The amount of interest payable shall be determined in accordance with Condition 6(f).

(d) Accrual of Interest

- (i) Where an ECN is to be redeemed pursuant to Condition 8(a), 8(c), 8(d) or 8(e), interest shall accrue up to (but excluding) the due date for redemption, and shall cease to accrue on such ECN on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after

judgment) at the relevant Rate of Interest from time to time in the manner provided in this Condition 6 to the Relevant Date.

- (ii) In the case of a Conversion in respect of the ECNs, interest shall accrue on the principal amount of each ECN up to (but excluding) the Conversion Date and interest shall cease to accrue on each ECN with effect from the Conversion Date. In the case of a Conversion in respect of Bearer ECNs, all Coupons relating to Interest Payment Dates falling after the Conversion Date shall be void and no payment shall be made in respect of them.

(e) Margin, Maximum/Minimum Rates of Interest and Rounding

- (i) If any Margin is specified in the relevant Final Terms (either (x) generally or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 6(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest is specified in the relevant Final Terms, then any Rate of Interest shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is legal tender.

(f) Calculations

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

(g) Determination and Publication of Rates of Interest, Interest Amounts and Make Whole Redemption Price

The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or at such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation under these Conditions, calculate such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Make

Whole Redemption Price, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Make Whole Redemption Price to be notified to the Trustee, the Issuer, [the Guarantor]/[the Guarantors]**, each of the Paying and Conversion Agents, the ECN Holders, any other Calculation Agent appointed in respect of the ECNs that is to make a further calculation upon receipt of such information and, if the ECNs are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 6(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If there is a default in payment in respect of the ECNs as provided in Condition 12(a), the accrued interest and the Rate of Interest payable in respect of the ECNs shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(h) Determination or Calculation by Trustee

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

(i) Definitions

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

“Business Day” means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, a day on which the TARGET system is operating (a “TARGET Business Day”); and/or
- (iii) in the case of a currency and/or one or more Business Centres specified in the relevant Final Terms a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

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

- (i) if “Actual/Actual” or “Actual/Actual – ISDA” is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365;
- (iii) if “Actual/360” is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 360;
- (iv) if “Actual/Actual-ICMA” is specified in the relevant Final Terms,
 - (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
 - (b) if the Calculation Period is longer than one Determination Period, the sum of:
 - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
 - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

“Determination Date” means the date(s) specified as such in the relevant Final Terms or, if none is so specified, the Interest Payment Date(s); and

“Determination Period” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

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

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

where:

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

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

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

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

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

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30.

“Euro-zone” means the region comprising member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

“Fixed Interest Rate Period” means the period specified as such in the relevant Final Terms.

“Fixed Rate of Interest” means the rate of interest payable from time to time in respect of a Fixed Rate ECN or during the Fixed Interest Rate Period in respect of a Fixed/Floating Rate ECN and that is either specified in the relevant Final Terms or calculated in accordance with the provisions in the relevant Final Terms.

“Floating Interest Rate Period” means the period specified as such in the relevant Final Terms.

“Floating Rate of Interest” means the rate of interest payable from time to time in respect of a Floating Rate ECN or during the Floating Interest Rate Period in respect of a Fixed/Floating Rate ECN and that is either specified in the relevant Final Terms or calculated in accordance with the provisions in the relevant Final Terms.

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

“Interest Amount” means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate ECNs, and unless otherwise specified in the relevant Final Terms, shall mean the Fixed Coupon Amount or Broken Amount specified in the relevant Final Terms as being payable on the Interest Payment Date ending in the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“Interest Commencement Date” means the Issue Date specified in the relevant Final Terms or such other date as may be specified in the relevant Final Terms.

“Interest Determination Date” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Final Terms or, if none is so specified, (i) the first day of such

Interest Accrual Period if the Specified Currency is pounds sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither pounds sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

“Interest Payment Date” means, in respect of the ECNs, the date or dates specified as such, or determined as provided, in the relevant Final Terms.

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

“Interest Period Date” means each Interest Payment Date unless otherwise specified in the relevant Final Terms.

“Rate of Interest” means the Fixed Rate of Interest and/or Floating Rate of Interest, as the case may be.

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

“Reference Rate” means the rate specified as such in the relevant Final Terms.

“Relevant Screen Page” means such page, section, caption, column or other part of a particular information service as may be specified in the relevant Final Terms.

“Specified Currency” means the Specified Currency or Currencies specified in the relevant Final Terms.

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(j) Calculation Agent

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the relevant Final Terms and for so long as any ECN is outstanding. Where more than one Calculation Agent is appointed in respect of the ECNs, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount or Make Whole Redemption Price, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior written approval of the Trustee) appoint a leading bank or financial institution engaged in the inter-bank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(k) No Deferral

Neither the Issuer nor [the]* [either]** Guarantor shall be entitled to defer or cancel any payments of interest or any other amounts payable in respect of the ECNs.

7. Conversion

(a) Conversion upon Conversion Trigger

- (i) If the Conversion Trigger occurs at any time, each ECN shall, subject to and as provided in this Condition 7(a) and in the Deed Poll, be converted on the Conversion Date into new and/or existing (as determined by LBG) Ordinary Shares credited as fully paid in the manner and in the circumstances described below and in the Deed Poll.

The ECNs are not convertible at the option of ECN Holders at any time.

The “Conversion Trigger” shall occur if at any time, as disclosed in the latest published annual or semi-annual consolidated financial statements of LBG or as otherwise publicly disclosed by LBG at any time, LBG’s Consolidated Core Tier 1 Ratio is less than 5 per cent. As used in these Conditions, “Consolidated Core Tier 1 Ratio” means the ratio of the Core Tier 1 Capital of LBG to the risk weighted assets of LBG, in each case, calculated on a consolidated basis.

As soon as reasonably practicable following the occurrence of the Conversion Trigger, the Issuer shall give notice thereof to holders of the ECNs (the “Conversion Trigger Notice”) in accordance with Condition 17. The Conversion Trigger Notice shall specify the Consolidated Core Tier 1 Ratio, the prevailing Conversion Price and the Conversion Date, which shall be not earlier than 20 London business days nor later than 30 London business days following the giving of the Conversion Trigger Notice.

- (ii) If the Conversion Trigger occurs, the ECNs will be converted in whole and not in part as provided below and in the Deed Poll.
- (iii) Prior to giving the Conversion Trigger Notice, the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of LBG stating that the Conversion Trigger has occurred and the Trustee shall accept such certificate without any further enquiry as sufficient evidence of such matters, and such certificate will be conclusive and binding on the Trustee and the ECN Holders.
- (iv) If a Relevant Event shall occur that is a Qualifying Relevant Event, then, where the Conversion Date falls on or after the New Conversion Condition Effective Date, each ECN shall, upon the occurrence of the Conversion Trigger, subject to and as provided in this Condition 7(a) and the Deed Poll, be converted into Relevant Shares of the Approved Entity.
- (v) If a Relevant Event shall occur that is a Non-Qualifying Relevant Event and where the Acquiror is an Approved Entity, then, with effect from the date falling eight days following the occurrence of such Relevant Event and unless the Conversion Trigger shall have occurred prior to such date, outstanding ECNs shall not be subject to Conversion at any time notwithstanding that a Conversion Trigger may occur subsequently.
- (vi) If a Relevant Event shall occur that is a Non-Qualifying Relevant Event and where the Acquiror is not an Approved Entity, then, with effect from the occurrence of such Relevant Event and unless the Conversion Trigger shall have occurred prior to such date, outstanding

ECNs shall not be subject to Conversion at any time notwithstanding that a Conversion Trigger may occur subsequently.

(b) Payment of Conversion Settlement Sum

- (i) Upon Conversion, the Issuer shall redeem the ECNs at a price (the “Conversion Settlement Sum”) equal to their principal amount. ECN Holders shall be deemed irrevocably to have directed and authorised the Issuer to pay the Conversion Settlement Sum to LBG as consideration for LBG’s agreement to issue Ordinary Shares pursuant to the Deed Poll and the obligations of the Issuer and [the]*/[each]** Guarantor to pay principal on the relevant ECNs to holders of the ECNs shall be discharged by the Issuer’s obligation to pay the Conversion Settlement Sum to LBG.
- (ii) In order to obtain delivery of Ordinary Shares on a Conversion, ECN Holders will be required to comply with the provisions of the Deed Poll which require, amongst other things, the delivery of a Conversion Notice and the relevant ECNs or the Certificate representing the same (in the case of Registered ECNs) on or before the Notice Cut-off Date. If ECN Holders fail to make such delivery on or before the Notice Cut-off Date or otherwise the relevant Conversion Notice shall have been determined to be null and void pursuant to the Deed Poll, the Deed Poll contains provisions relating to the sale of the relevant Ordinary Shares and the payment of the net proceeds of such sale (the “Ordinary Share Sale Proceeds”) to such ECN Holders.
- (iii) LBG has agreed in the Deed Poll that, in consideration of the Issuer’s agreement to pay the Conversion Settlement Sum, it will issue or deliver Ordinary Shares as provided therein and, in the circumstances provided therein, pay the Ordinary Share Sale Proceeds to the relevant ECN Holders. ECN Holders shall have recourse only to LBG under the Deed Poll for the issue or delivery of such Ordinary Shares pursuant to the Deed Poll or, as the case may be, the payment of any Ordinary Share Sale Proceeds and in particular will have no recourse in respect thereof to the Issuer or (but without prejudice to the foregoing) [the]*/[either]** Guarantor.
- (iv) The Trustee shall have no responsibility in respect of LBG’s obligations under the Deed Poll upon Conversion, shall have no powers of enforcement under or in respect of the Deed Poll and shall incur no liability in respect of any failure by LBG to comply with its obligations under the Deed Poll. The ECN Holders alone shall have power to enforce the terms of the Deed Poll against LBG.

(c) Accrued Conversion Interest

- (i) Upon Conversion, the Issuer shall pay to the ECN Holders the Accrued Conversion Interest (if any) in respect of the ECNs on the Conversion Date.
- (ii) Payment of any Accrued Conversion Interest will be made by transfer to an account with a bank in the principal financial centre of the Specified Currency or, in the case of a payment in euro, to an account with a bank in a city in which banks have access to the TARGET System, as specified in the relevant Conversion Notice or, as the case may be, as provided below.
- (iii) If, in the case of a Conversion, a Conversion Notice and the relevant ECNs or the Certificate representing the same (in the case of Registered ECNs) are not delivered to a Paying and Conversion Agent on or before the Notice Cut-off Date or otherwise the

relevant Conversion Notice shall have been determined to be or treated as null and void pursuant to the Deed Poll, any Accrued Conversion Interest in respect of the relevant ECNs which is to be paid on the Conversion Date shall be paid on the Conversion Date to the Issuing, Paying and Conversion Agent for distribution to the relevant ECN Holders in accordance with Condition 9 or in such other manner and at such time as the Trustee shall determine and notify to the ECN Holders pursuant to Condition 17.

8. Redemption and Purchase

(a) Final Redemption

Unless previously converted, redeemed or purchased and cancelled as provided in these Conditions, each ECN shall be redeemed on the Maturity Date at the Final Redemption Amount specified in, or determined in the manner specified in, the relevant Final Terms.

(b) Conditions to Redemption and Purchase

Any redemption or purchase of the ECNs in accordance with Condition 8(c), (d), (e) or (g) is subject to (i) LBG giving at least one month's prior written notice to, and receiving no objection from or, in the case of any redemption of the ECNs prior to the fifth anniversary of the Issue Date, receiving the consent of, the FSA (or such other period of notice as the FSA may from time to time require or accept and, in any event, provided that any such notice is required to be given) and (ii) LBG (both at the time of, and immediately following, the redemption or purchase) being in compliance with the Regulatory Capital Requirements applicable to it from time to time (and a certificate from any two Authorised Signatories of LBG confirming such compliance shall be conclusive evidence of such compliance).

Prior to the publication of any notice of redemption pursuant to Condition 8 (d) or (e), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer stating that the relevant requirement or circumstance giving rise to the right to redeem is satisfied and the reasons therefor and the Trustee shall accept such certificate without any further inquiry as sufficient evidence of the satisfaction of the relevant conditions precedent, and such certificate shall be conclusive and binding on the Trustee and the ECN Holders.

(c) Issuer Call Option

Subject to Condition 8(b), the Issuer may, by giving not less than 10 nor more than 21 days' notice to the ECN Holders in accordance with Condition 17, the Trustee, the Issuing, Paying and Conversion Agent and the Registrar (which notice shall, subject as provided in Condition 8(f), be irrevocable) elect to redeem all, but not some only, of the ECNs on any of the Optional Redemption Dates (if any) specified in the relevant Final Terms, at their Optional Redemption Amount(s) specified in, or determined in the manner specified in, the relevant Final Terms, together with any accrued but unpaid interest to (but excluding) the relevant Optional Redemption Date. Upon the expiry of such notice, the Issuer shall redeem the ECNs as aforesaid.

(d) Redemption Due to Taxation

If, immediately prior to the giving of the notice referred to below, a Tax Event has occurred and is continuing, then the Issuer may, subject to Condition 8(b) and having given not less than 10 nor more than 21 days' notice to the Trustee, the Issuing, Paying and Conversion Agent, the Registrar and, in accordance with Condition 17, the ECN Holders (which notice shall, subject as provided in Condition 8(f), be irrevocable), redeem in accordance with these Conditions at any time (in the case of a Fixed Rate ECN or in the Fixed Interest Rate Period in the case of a Fixed/Floating Rate ECN) or on

any Interest Payment Date (in the case of a Floating Rate ECN or in the Floating Interest Rate Period in the case of a Fixed/Floating Rate ECN) all, but not some only, of the ECNs at their Tax Event Redemption Price, together with any accrued but unpaid interest to (but excluding) the relevant redemption date. Upon the expiry of such notice, the Issuer shall redeem the ECNs as aforesaid.

(e) Redemption for Regulatory Purposes

If, immediately prior to the giving of the notice referred to below, a Capital Disqualification Event has occurred and is continuing, then the Issuer may, subject to Condition 8(b) and having given not less than 10 nor more than 21 days' notice to the ECN Holders in accordance with Condition 17, the Trustee, the Issuing, Paying and Conversion Agent and the Registrar (which notice shall, subject as provided in Condition 8(f), be irrevocable), redeem in accordance with these Conditions at any time (in the case of a Fixed Rate ECN or in the Fixed Interest Rate Period in the case of a Fixed/Floating Rate ECN) or on any Interest Payment Date (in the case of a Floating Rate ECN or in the Floating Interest Rate Period in the case of a Fixed/Floating Rate ECN) all, but not some only, of the ECNs at their Capital Disqualification Event Redemption Price, together with any accrued but unpaid interest to but excluding the relevant redemption date. Upon the expiry of such notice, the Issuer shall redeem the ECNs as aforesaid.

(f) Conversion Trigger

The Issuer may not give a notice of redemption of the ECNs pursuant to this Condition 8 if a Conversion Trigger Notice shall have been given. If a Conversion Trigger Notice shall be given after a notice of redemption shall have been given by the Issuer but before the relevant redemption date, such notice of redemption shall automatically be revoked and be null and void and the relevant redemption shall not be made.

(g) Purchases

The Issuer or LBG (or any Subsidiary of LBG) may, subject to Condition 8(b), at any time purchase or procure others to purchase beneficially for its account ECNs in any manner and at any price. In any such case, purchases of Bearer ECNs will be made together with all unmatured Coupons and unexchanged Talons (if appropriate) appertaining thereto.

(h) Cancellation

All ECNs redeemed by the Issuer pursuant to this Condition 8 together, in the case of Bearer ECNs, with all unmatured Coupons and unexchanged Talons relating thereto (if appropriate) will forthwith be cancelled. All ECNs purchased by or on behalf of the Issuer or LBG or any Subsidiary of LBG may be held, reissued, resold or, at the option of LBG or the Issuer or any such Subsidiary, surrendered for cancellation (together, where applicable, with all unmatured Coupons and all unexchanged Talons) to the Issuing, Paying and Conversion Agent. ECNs so surrendered shall be cancelled forthwith (together, where applicable, with all unmatured Coupons and unexchanged Talons attached). Any ECNs so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and [the]*/[each]** Guarantor in respect of any such ECNs shall be discharged.

(i) Trustee Not Obligated to Monitor

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

In the case of a redemption of the ECNs pursuant to Condition 8(e), LBG intends to replace the ECNs with the issue of securities or other instruments that, on a solo and/or consolidated basis, would, by their terms, be capable of qualifying as Lower Tier 2 Capital of LBG, or better.

The Trust Deed contains provisions entitling the Issuer or the Guarantor(s) to require the holder or beneficial owner of ECNs represented by an interest in the Restricted Global Certificate (as defined in the Trust Deed) to sell its interest in such ECNs or to arrange for such interest to be sold on behalf of the relevant holder, if such holder is a U.S. person that is not a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act of 1933, as amended) who, in the judgement of the Guarantor(s), has purchased its ECNs in a transaction that is not exempt from the registration requirements of the Securities Act of 1933, as amended. In any such case, neither the Issuer nor the Guarantor(s) shall have any liability or responsibility for the timing of any such sale or for the price at which any such ECNs are sold. If any such sale is effected pursuant to arrangements made by the Issuer or the Guarantor(s), the Issuer or the Guarantor(s) will arrange for the net proceeds of any such sale (after deduction in respect of expenses and any taxes) to the relevant holder of the ECNs at such time as the Issuer or the Guarantor(s) may determine.

9. Payments and Talons

(a) Bearer ECNs

- (i) Payment of principal and premium (if any) in respect of Bearer ECNs to be made to holders of Bearer ECNs, payment of accrued interest payable on a redemption of Bearer ECNs (other than on an Interest Payment Date) and payment of any Accrued Conversion Interest that is to be paid in accordance with this Condition 9 shall, in each case, be made against presentation and surrender of the relevant Bearer ECNs at the specified office of any Paying and Conversion Agent outside the United States.
- (ii) Payment of interest to be made to holders of Bearer ECNs on an Interest Payment Date will be made against presentation and surrender of the relevant Coupons at the specified office of any Paying and Conversion Agent outside the United States.
- (iii) All such payments referred to in (i) and (ii) shall be made by cheque payable in the relevant currency drawn on or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. "Bank" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.
- (iv) Payments of all amounts other than as referred to in (i) and (ii) will be made as provided in these Conditions.

(b) Registered ECNs

- (i) Payments of principal and premium (if any) to be made to holders in respect of Registered ECNs, payments of accrued interest payable on a redemption of Registered ECNs (other than on an Interest Payment Date) and payment of any Accrued Conversion Interest that is to be paid in accordance with this Condition 9 shall, in each case, be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in (ii) below.
- (ii) Payments of interest to be made to holders in respect of Registered ECNs due on an Interest Payment Date shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "Record Date").

- (iii) All such payments shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such ECN at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.
- (iv) Payments of all other amounts other than as referred to in (i) and (ii) will be made as provided in these Conditions.

(c) Payments in the United States

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

(d) Payments subject to Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 10. No commission or expenses shall be charged to the ECN Holders or Couponholders in respect of such payments.

(e) Appointment of Agents

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

In addition, the Issuer shall:

- (i) forthwith appoint a Paying and Conversion Agent in New York City in respect of any Bearer ECNs denominated in U.S. dollars in the circumstances described in paragraph (c) above; and
- (ii) in the event that it or [the]*/[either]** Guarantor would be obliged to pay additional amounts on or in respect of any ECN or Coupon pursuant to Condition 10 by virtue of such ECN or Coupon being presented for payment in the United Kingdom, it will appoint and at all times thereafter maintain a Paying and Conversion Agent in a jurisdiction within Europe (other than the United Kingdom) and which otherwise complies with the foregoing provisions of this Condition 9(e).

Notice of any such change or any change of any specified office shall promptly be given to the Trustee and to the ECN Holders in accordance with Condition 17.

(f) Unmatured Coupons and unexchanged Talons

- (i) Upon Conversion of Bearer ECNs, all Coupons in respect thereof relating to Interest Payment Dates falling after the Conversion Date shall become void and no payment shall be made in respect of them.
- (ii) Upon the due date for redemption of any Bearer ECN, all unexpired Coupons relating to such ECN (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer ECN, any unexchanged Talon relating to such ECN (whether or not attached) shall become void and no Coupons shall be delivered in respect of such Talon.
- (iv) Where any Bearer ECNs are presented for redemption without all such unexpired Coupons, and where any Bearer ECN is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(g) Talons

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer ECN, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing, Paying and Conversion Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 11).

(h) Non-Business Days

If any date for payment in respect of any ECN or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “business day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation (where presentation and surrender is required pursuant to these Conditions), in such jurisdictions (if any) as shall be specified as “Financial Centres” in the relevant Final Terms and:

- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a Bank (as defined in Condition 9(a)(iii)) in the relevant currency on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

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

10. Taxation

All payments of principal, premium (if any) and/or interest to ECN Holders and Couponholders by or on behalf of the Issuer in respect of the ECNs and the Coupons or by or on behalf of [the]*/[either]** Guarantor under the Guarantee shall be made without withholding or deduction for or on account of any present or future tax, duty, assessment or governmental charge of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, [the]*/[the relevant]** Guarantor shall pay such additional amounts (“Additional Amounts”) as will result (after such withholding or deduction) in receipt by the ECN Holders and the Couponholders of the sums which would have been receivable (in the absence of such withholding or deduction) from it in respect of their ECNs and/or Coupons, as the case may be; except that no such Additional Amounts shall be payable with respect to any ECN or Coupon:

- (a) (where presentation and surrender is required pursuant to these Conditions) presented for payment by or on behalf of any holder who is liable to such tax, duty, assessment or governmental charge in respect of such ECN or Coupon by reason of such holder having some connection with the United Kingdom other than the mere holding of such ECN or Coupon; or
- (b) to, or to a third party on behalf of, a holder if such withholding or deduction may be avoided by complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to any authority of or in the United Kingdom, unless such holder proves that he is not entitled so to comply or to make such declaration or claim; or
- (c) to, or to a third party on behalf of, a holder that is a partnership, or a holder that is not the sole beneficial owner of the ECN or Coupon, or which holds the ECN or Coupon in a fiduciary capacity, to the extent that any of the members of the partnership, the beneficial owner or the settlor or beneficiary with respect to the fiduciary would not have been entitled to the payment of an additional amount had each of the members of the partnership, the beneficial owner, settlor or beneficiary (as the case may be) received directly his beneficial or distributive share of the payment; or
- (d) (where presentation and surrender is required pursuant to these Conditions) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment at the expiry of such period of 30 days; or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (f) (where presentation and surrender is required pursuant to these Conditions) in respect of any ECN or Coupon presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant ECN or Coupon to another Paying and Conversion Agent in a member state of the European Union.

11. Prescription

Claims against the Issuer and/or [the]*/[either]** Guarantor for payment in respect of the ECNs and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10

years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

12. Events of Default

Notwithstanding any of the provisions below in Condition 12, the right to institute winding-up proceedings is limited to circumstances where payment has become due.

The Trust Deed contains provisions entitling the Trustee to claim from the Issuer and [the]/[each]** Guarantor, inter alia, the fees, expenses and liabilities incurred by it in carrying out its duties under the Trust Deed. The restrictions on commencing proceedings described below will not apply to any such claim.*

(a) Events of Default

If any of the following events occurs, the Trustee at its discretion may, and if so requested by holders of at least one-quarter in principal amount of the ECNs then outstanding or if so directed by an Extraordinary Resolution shall (but in each case subject to Condition 12(d) below), give notice to the Issuer that the ECNs are, and they shall immediately become, due and payable at their principal amount together with any accrued and unpaid interest:

- (i) default is made for a period of seven days or more in the payment of any principal or premium (if any) or 14 days or more in the payment of any interest due in respect of the ECNs or any of them; or
- (ii) an order is made or a resolution is passed for the winding-up of the Issuer or [the]*/[either]** Guarantor (other than a winding-up which has been approved previously in writing by the Trustee or by an Extraordinary Resolution of the ECN Holders).

(b) Proceedings for Winding-up

If the ECNs become due and payable (whether pursuant to Condition 12(a) or Condition 8) and are not paid when so due and payable or any other payment obligation of the Issuer or [the Guarantor]*/[the Guarantors]** under or arising in respect of the ECNs, the Coupons or the Trust Deed is not duly met, satisfied or performed (including pursuant to Condition 7(c)), the Trustee at its discretion may, and if so requested by holders of at least one-quarter in principal amount of the ECNs then outstanding or if so directed by an Extraordinary Resolution shall (but in each case subject to Condition 12(d) below), institute proceedings for the winding-up of the Issuer and/or [the Guarantor]*/[the relevant Guarantor or Guarantors]** and/or prove in the winding-up of the Issuer and/or [the Guarantor]*/[the relevant Guarantor or Guarantors]** and/or claim in the liquidation of the Issuer and/or [the Guarantor]*/[the relevant Guarantor or Guarantors]** for such payment, provided, however, that the Trustee may only take any such action on or after the failure by the Issuer and/or [the Guarantor]*/[the relevant Guarantor or Guarantors]** to make payments as described in this Condition 12(b), but may take no further or other action to enforce, prove or claim for any such payment. No payment in respect of the ECNs, the Coupons or the Trust Deed may be made by the Issuer or [the]*/[either]** Guarantor pursuant to Condition 12(a), nor will the Trustee accept the same, otherwise than during or after a winding-up or liquidation of the Issuer or, as appropriate, [the Guarantor]*/[the relevant Guarantor or Guarantors]**, unless the Issuer or, as appropriate, [the Guarantor]*/[the relevant Guarantor]** has given prior written notice (with a copy to the Trustee) to, and received no objection from, the FSA which the Issuer or, as appropriate, [the Guarantor]*/[the relevant Guarantor]** shall confirm in writing to the Trustee.

(c) Enforcement

Without prejudice to Condition 12(a), the Trustee may, at its discretion, and without notice institute such proceedings against the Issuer and/or [the]*/[a]** Guarantor as it may think fit to enforce any term or condition binding on the Issuer or, as appropriate, [the]*/[such]** Guarantor under the Trust Deed, the ECNs or the Coupons (other than any payment obligation of the Issuer or [the]*/[such]** Guarantor under or arising from the ECNs, the Coupons or the Trust Deed, including, without limitation, payment of any principal or premium or interest in respect of the ECNs or the Coupons, including any damages awarded for breach of any obligations) and in no event shall the Issuer or [the]*/[such]** Guarantor, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it pursuant to these Conditions and the Trust Deed. Nothing in this Condition 12(c) shall, however, prevent the Trustee instituting proceedings for the winding-up of the Issuer and/or [the]*/[either]** Guarantor, proving in any winding-up of the Issuer and/or [the]*/[either]** Guarantor and/or claiming in any liquidation of the Issuer and/or [the]*/[either]** Guarantor in respect of any payment obligations of the Issuer or [the]*/[the relevant]** Guarantor arising from or in respect of the ECNs, the Coupons or the Trust Deed (including any damages awarded for breach of any obligations).

(d) Entitlement of Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 12(a), (b) or (c) above against the Issuer or [the]*/[a]** Guarantor to enforce the terms of the Trust Deed, the ECNs or the Coupons or any other action under or pursuant to the Trust Deed unless (i) it shall have been so requested by an Extraordinary Resolution of the ECN Holders or in writing by the holders of at least one-quarter in principal amount of the ECNs then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(e) Right of ECN Holders

No ECN Holder or Couponholder shall be entitled to proceed directly against the Issuer or [the]*/[a]** Guarantor or to institute proceedings for the winding-up or claim in the liquidation of the Issuer or [the]*/[a]** Guarantor or to prove in such winding-up unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing, in which case the ECN Holder or Couponholder shall have only such rights against the Issuer and [the]*/[the relevant]** Guarantor as those which the Trustee is entitled to exercise as set out in this Condition 12.

(f) Extent of ECN Holder's remedy

No remedy against the Issuer or [the]*/[a]** Guarantor, other than as referred to in this Condition 12, shall be available to the Trustee or the ECN Holders or Couponholders, whether for the recovery of amounts owing in respect of the ECNs or under the Trust Deed or in respect of any breach by the Issuer or [the]*/[a]** Guarantor of any of its other obligations under or in respect of the ECNs, Coupons or under the Trust Deed.

(g) Deed Poll

Nothing in this Condition shall affect the rights of any ECN Holder to enforce its rights under the Deed Poll, subject to and as provided in the Deed Poll.

13. Meetings of ECN Holders, Modification, Waiver and Substitution

(a) Meetings of ECN Holders

The Trust Deed contains provisions for convening meetings of ECN Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed or the Deed Poll. Such a meeting may be convened by holders holding not less than 10 per cent. in aggregate principal amount of the ECNs for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in aggregate principal amount of the ECNs for the time being outstanding, or at any adjourned meeting two or more persons being or representing ECN Holders whatever the aggregate principal amount of the ECNs held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the ECNs or any date for payment of interest on the ECNs, (ii) to reduce or cancel the principal amount of, or any premium payable on redemption of, the ECNs, (iii) to reduce the rate or rates of interest in respect of the ECNs or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating the amounts of any interest in respect of the ECNs, (iv) to vary any method of, or basis for, calculating the amounts payable on redemption of the ECNs, (v) to vary the currency or currencies of payment or denomination of the ECNs, (vi) to modify the provisions concerning the quorum required at any meeting of ECN Holders or the majority required to pass the Extraordinary Resolution, (vii) to modify or cancel the Guarantee [in respect of either Guarantor]**, or (viii) to amend or modify the Deed Poll (but without prejudice to the power of LBG to modify or amend the Deed Poll as set out therein), in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the ECNs for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on ECN Holders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

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

No modification to these Conditions or any other provisions of the Trust Deed (whether pursuant to this Condition 13 or otherwise) shall become effective unless the Issuer shall have given at least one month's prior written notice to, and received no objection from, the FSA (or such other period of notice as the FSA may from time to time require or accept and, in any event, provided that there is a requirement to give such notice).

(b) Modification

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

The Trustee will have no power to agree to any modification of the Deed Poll on behalf of the ECN Holders.

(c) Exempt Newco Scheme

In the event of an Exempt Newco Scheme, the Issuer may, in relation to ECNs in respect of which LBG is the Guarantor or a Guarantor, but subject as provided in Condition 13(d) and the Trust Deed, without the consent of ECN Holders or the Couponholders, at its option, procure that Newco is substituted under such ECNs as Guarantor (jointly and severally with LTSB if LTSB is also a Guarantor in respect of such ECNs) in place of LBG.

(d) Substitution

The Trust Deed contains provisions (in the case of (i) below) requiring the Trustee and (in the case of (ii) below) permitting the Trustee, subject to the Issuer giving at least one month's notice to, and receiving no objection from, the FSA (or such shorter period of notice as the FSA may from time to time require or accept and so long as there is a requirement to give such notice), to agree, without the consent of the ECN Holders or the Couponholders, to (i) any substitution as provided in and for the purposes of Condition 13(c); or (ii) the substitution of the Issuer's successor in business in place of the Issuer, or of any previously substituted company, as principal debtor under the Trust Deed and the ECNs, subject to (in the case of (ii) only) the Trustee being of the opinion that such substitution will not be materially prejudicial to the interests of the ECN Holders and subject to (in the case of (i) and (ii)) certain other conditions set out in the Trust Deed being complied with. In the case of such a substitution, the Trustee may agree, without the consent of the ECN Holders or the Couponholders, to a change of the law governing the ECNs, the Coupons, the Talons and/or the Trust Deed, provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the ECN Holders.

(e) Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the ECN Holders as a class and shall not have regard to the consequences of such exercise for individual ECN Holders or Couponholders and the Trustee shall not be entitled to require, nor shall any ECN Holder or Couponholder be entitled to claim, from the Issuer or [the]*/[either]** Guarantor any indemnification or payment in respect of any tax consequence of any such exercise upon individual ECN Holders or Couponholders.

14. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer, [the]*/[either]** Guarantor and any entity related to the Issuer or [the]*/[either]** Guarantor without accounting for any profit.

The Trustee may rely without liability to ECN Holders or Couponholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, [the]*/[each]** Guarantor, the Trustee and the ECN Holders.

15. Replacement of ECNs, Certificates, Coupons and Talons

If an ECN, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing, Paying and Conversion Agent (in the case of Bearer ECNs, Coupons or Talons) or of the Registrar (in the case of Certificates), or, in any such case such other Paying and Conversion Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to ECN Holders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed ECN, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such ECNs, Certificates, Coupons or further Coupons) and otherwise as the Issuer may reasonably require. Mutilated or defaced ECNs, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

16. Further Issues

The Issuer may, from time to time, without the consent of the ECN Holders or Couponholders, create and issue further securities either having the same terms and conditions as the ECNs in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the ECNs) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the ECNs include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the ECNs. The Trust Deed contains provisions for convening a single meeting of the ECN Holders and the holders of securities of other series where the Trustee so decides.

17. Notices

Notices to ECN Holders shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). If, in the opinion of the Trustee, any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of ECNs in accordance with this Condition 17.

18. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the ECNs under the Contracts (Rights of Third Parties) Act 1999.

19. Definitions

“Accrued Conversion Interest” means, in the case of the Conversion of the ECNs, interest accrued on the ECNs from (and including) the Interest Payment Date immediately preceding the Conversion Date (or, if none, from the Interest Commencement Date) to (but excluding) the Conversion Date;

“Authorised Signatory” means a director or the company secretary of the Issuer or LBG, as the case may be;

a “Capital Disqualification Event” is deemed to have occurred (1) if, at any time LBG or, where LTSB is a or the Guarantor, LTSB is required under Regulatory Capital Requirements to have regulatory capital, the ECNs would no longer be eligible to qualify in whole or in part (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) for inclusion in the Lower Tier 2 Capital of LBG or, as the case may be, LTSB on a consolidated basis; or (2) if as a result of any changes to the Regulatory Capital Requirements or any change in the interpretation or application thereof by the FSA, the ECNs shall cease to be taken into account in whole or in part (save where this is only as a result of any applicable limitation on the amount that may be so taken into account) for the purposes of any “stress test” applied by the FSA in respect of the Consolidated Core Tier 1 Ratio;

“Capital Disqualification Event Redemption Price” means the price specified as such in the relevant Final Terms, which may be either the principal amount of the ECNs or the Make Whole Redemption Price;

“Conversion” means the conversion of the ECNs into Ordinary Shares pursuant to these Conditions and the Deed Poll, and “convert” and “converted” shall be construed accordingly;

“Conversion Notice” means a notice in the form for the time being currently available from the specified office of any Paying and Conversion Agent and which is required to be delivered in connection with a Conversion of the ECNs;

“Core Tier 1 Capital” means core tier one capital as defined by the FSA as in effect and applied (as supplemented by any published statement or guidance given by the FSA) as at 1 May 2009;

“ECN Holder” means the bearer of any Bearer ECN or the person in whose name a Registered ECN is registered (as the case may be) and “holder” (in relation to an ECN, Coupon or Talon) means the bearer of any Bearer ECN, Coupon or Talon or the person in whose name a Registered ECN is registered (as the case may be);

“Extraordinary Resolution” has the meaning given to it in the Trust Deed;

“Guarantor Senior Creditors” means, in respect of [the]*/[a]** Guarantor, (a) creditors of [the]*/[such]** Guarantor whose claims are admitted to proof in the winding-up or administration of [the]*/[such]** Guarantor and who are unsubordinated creditors of [the]*/[such]** Guarantor; and (b) creditors of [the]*/[such]** Guarantor whose claims are or are expressed to be subordinated to the claims of other creditors of [the]*/[such]** Guarantor (other than those whose claims relate to obligations which constitute, or would, but for any applicable limitation on the amount of such capital, constitute, Tier 1 Capital or Upper Tier 2 Capital or Lower Tier 2 Capital of [the]*/[such]** Guarantor on a solo and/or consolidated basis, or whose claims rank or are expressed to rank *pari passu* with, or junior to, the claims of ECN Holders);

“Issuer Senior Creditors” means creditors of the Issuer whose claims are admitted to proof in the winding-up or administration of the Issuer and who are unsubordinated creditors of the Issuer;

“Lower Tier 2 Capital” has the meaning given to it by the FSA from time to time;

“Make Whole Redemption Price” means:

- (i) in respect of an ECN denominated in pounds sterling, (a) the principal amount of such ECN or, if this is higher, (b) the price, expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards), at which the Gross Redemption Yield on an ECN in the principal amount equal to the principal amount of such ECN on the Reference Date (assuming for this purpose that the ECNs are to be redeemed at their principal amount on the first Optional Redemption Date specified in the relevant Final Terms, or if no Optional Redemption Date is specified, the Maturity Date specified in the relevant Final Terms) is equal to the aggregate of (i) the Gross Redemption Yield (determined by reference to the middle market price) at or about 12.00 hours (London time) on the Reference Date of

the Reference Bond plus (ii) the Make Whole Margin specified in the relevant Final Terms, all as determined by the Calculation Agent. For the purposes of this definition of Make Whole Redemption Price:

“Gross Redemption Yield” means, with respect to a security, the gross redemption yield on such security (as calculated by the Calculation Agent on the basis set out in the United Kingdom Debt Management Office in the paper “Formulae for Calculating Gilt Prices from Yields” page 4, Section One: Price/Yield Formulae “Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date” (published on 8 June 1998 and updated on 15 January 2002 and as further updated or amended) on a semi-annual compounding basis (converted on an annualised yield and rounded up (if necessary) to four decimal places));

“Reference Bond” means the Make Whole Reference Security specified in the relevant Final Terms, or if such stock is no longer in issue such other United Kingdom government stock with a maturity date as near as possible to the first Optional Redemption Date specified in the relevant Final Terms, or, if no Optional Redemption Date is specified, the Maturity Date specified in the relevant Final Terms, as the Calculation Agent may, with the advice of the Reference Market Makers, determine to be appropriate by way of substitution for the Make Whole Reference Security specified in the relevant Final Terms;

“Reference Date” means the date which is three London business days prior to the due date for redemption pursuant to Condition 8(d) or, as appropriate, Condition 8(e); and

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

- (ii) in respect of an ECN denominated in U.S. dollars, (a) the principal amount of such ECN or, if this is higher (b) the amount equal to the sum of the present value of the principal amount of such ECN, together with the present values of the scheduled Interest Payments from the relevant date fixed for redemption to the first Optional Redemption Date specified in the relevant Final Terms (or, if no Optional Redemption Date is specified, the Maturity Date specified in the relevant Final Terms) in each case, discounted to such redemption date on a semi-annual compounded basis at the adjusted U.S. Treasury Rate plus the Make Whole Margin specified in the relevant Final Terms, all as determined by the Calculation Agent. For the purposes hereof, “U.S. Treasury Rate” means either (i) the rate per annum equal to the yield, under the heading that represents the average for the week immediately preceding the third New York business day prior to the relevant redemption date, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities” for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the first Optional Redemption Date specified in the relevant Final Terms (or, if no Optional Redemption Date is specified, the Maturity Date specified in the relevant Final Terms), yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the U.S. Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the third New York business day prior to the relevant date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage

of its principal amount) calculated on the basis of the Comparable Treasury Price for the relevant date fixed for redemption, in each case calculated on the third Business Day immediately preceding the relevant date fixed for redemption. For the purposes of this definition of Make Whole Redemption Price:

“Comparable Treasury Issue” means the United States Treasury selected by the Calculation Agent as having a maturity comparable to the remaining term of the ECNs from the relevant date fixed for redemption to the first Optional Redemption Date specified in the relevant Final Terms (or, if no Optional Redemption Date is specified, the Maturity Date specified in the relevant Final Terms) that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to the first Optional Redemption Date specified in the relevant Final Terms or, if no Optional Redemption Date is specified, the Maturity Date specified in the relevant Final Terms;

“Comparable Treasury Price” means, with respect to any redemption date, the average of three, or such lesser number as is obtained by the Calculation Agent, Reference Treasury Dealer Quotations for the relevant date fixed for redemption of the ECNs;

“Reference Treasury Dealer” means each of the three nationally recognised firms selected by the Calculation Agent that are primary U.S. Government securities dealers;

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any date fixed for redemption of the ECNs, the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Calculation Agent by such Reference Treasury Dealer at 5.00 p.m., New York City time on the third New York business day immediately preceding such due date for redemption;

- (iii) in respect of an ECN denominated in euro, (a) the principal amount of such ECN or, if this is higher, (b) the price, expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards), at which the annual yield to redemption on an ECN in the principal amount equal to the principal amount of such ECN on the Reference Date (assuming for this purpose that the ECNs are to be redeemed at their principal amount on the first Optional Redemption Date specified in the relevant Final Terms or, if no Optional Redemption Date is specified, the Maturity Date specified in the relevant Final Terms) is equal to the aggregate of (i) the Reference Bond Yield (determined by reference to the middle market price) at 11.00 a.m. (Brussels time) on the Reference Date of the Reference Bond plus (ii) the Make Whole Margin specified in the relevant Final Terms, all as determined by the Calculation Agent. For the purposes of the definition of Make Whole Redemption Price:

“Primary Bond Dealer” means any credit institution or financial services institution that regularly deals in bonds and other debt securities;

“Reference Bond” means the Make Whole Reference Security specified in the relevant Final Terms or if such security is no longer issued such other European government bond or German Bundesobligationen with a maturity date as near as possible to the first Optional Redemption Date specified in the relevant Final Terms or, if no Optional Redemption Date is specified, the Maturity Date specified in the relevant Final Terms as the Calculation Agent may, with the advice of the Reference Bond Dealers and in consultation with the Issuer, determine to be appropriate by way of substitution for the Make Whole Margin Reference Security specified in the relevant Final Terms;

“Reference Bond Dealer” means either the Calculation Agent or any other Primary Bond Dealer selected by the Calculation Agent after consultation with the Issuer and approved for this purpose by the Trustee;

“Reference Bond Dealer Quotations” means the average, as determined by the Calculation Agent, of the bid and ask prices for the Reference Bond (expressed in each case as a percentage of its principal amount) quoted in writing to the Calculation Agent by such Reference Bond Dealer at 11.00 a.m. (Brussels time) on the Reference Date;

“Reference Bond Price” means (i) the average of five Reference Bond Dealer Quotations, after excluding the highest and lowest such Reference Bond Dealer Quotations, or (ii) if the Calculation Agent obtains fewer than five such Reference Bond Dealer Quotations, the average of all such Reference Bond Dealer Quotations;

“Reference Bond Yield” means the rate per annum equal to the annual yield to maturity of the Reference Bond, assuming a price equal to the Reference Bond Price for the Reference Date; and

“Reference Date” means the date which is three TARGET Business Days prior to the due date for redemption pursuant to Condition 8(d), or, as appropriate, Condition 8(e) by the Issuer; and

- (iv) in respect of an ECN denominated in any other currency, at the Make Whole Redemption Price specified in, or determined in the manner specified in, the relevant Final Terms;

“outstanding” has the meaning given to it in the Trust Deed;

“Regulatory Capital Requirements” means any applicable requirement specified by the FSA in relation to minimum margin of solvency or minimum capital resources or capital;

“Relevant Date” means, in respect of any payment on any ECN or Coupon, the date on which such payment first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount required to be paid is made or, in the case of a Bearer ECN or otherwise where presentation is required pursuant to these Conditions, (if earlier) the date seven days after that on which notice is duly given to the ECN Holders that, upon further presentation of the ECN (or relative Certificate) or Coupon being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation;

“successor in business” has the meaning given to it in the Trust Deed;

a “Tax Event” is deemed to have occurred if:

- (i) as a result of a Tax Law Change, in making any payments on the ECNs, the Issuer (or, if the Guarantee were called, [the]/[either]** Guarantor) has paid or will or would on the next payment date be required to pay Additional Amounts and the Issuer (or the [relevant]** Guarantor, as the case may be) cannot avoid the foregoing by taking measures reasonably available to it; or
- (ii) as a result of a Tax Law Change (x) the Issuer (or, if the Guarantee were called, the [relevant]** Guarantor, as the case may be) would not or there is more than an insubstantial risk that the Issuer or, as the case may be, [the]/[such]** Guarantor would not be entitled to a deduction in computing its taxation liabilities in the United Kingdom in respect of all or any part of its financing expense as recognised for accounting purposes in relation to the ECNs or the Guarantee, as the case may be, or (y) the Issuer (or the [relevant]** Guarantor, as the case may be) would not be entitled to have all or any part of any loss resulting from such deduction being taken into account in computing its taxation liabilities set against the profits of companies with which it is grouped for applicable United Kingdom

tax purposes (whether under the group relief system current as at the Issue Date or any similar system or systems having like effect as may from time to time exist), and in each such case the Issuer (or the [relevant]** Guarantor, as the case may be) could not avoid the foregoing in connection with the ECNs by taking measures reasonably available to it;

“Tax Event Redemption Price” means the price specified as such in the relevant Final Terms, which may be either the principal amount of the ECNs or the Make Whole Redemption Price;

“Tax Law Change” means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom, or any political subdivision or authority therein or thereof, having the power to tax, including any treaty to which the United Kingdom is a party, or any change in any generally published application or interpretation of such laws, including a decision of any court or tribunal, or any change in the generally published application or interpretation of such laws by any relevant tax authority or any generally published pronouncement by any tax authority, which change, amendment or pronouncement (x) (subject to (y)) becomes, or would become, effective on or after the Issue Date, or (y) in the case of a change or proposed change in law, if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by United Kingdom Act of Parliament or by Statutory Instrument, on or after the issue of the first Tranche of the ECNs;

“Tier 1 Capital” has the meaning given to it by the FSA from time to time; and

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

References in these Conditions to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such statutory modification or re-enactment.

Unless the context otherwise requires, references in these Conditions to (i) “principal” shall be deemed to include any premium payable in respect of the ECNs and all other amounts in the nature of principal payable pursuant to these Conditions or any amendment or supplement to it, (ii) “interest” shall be deemed to include any Accrued Conversion Interest and in any such case shall be deemed to include any Additional Amounts that may be payable under Condition 10 or any undertaking given in addition to or in substitution for it under the Trust Deed in respect of any such amount.

20. Governing Law and Jurisdiction

(a) Governing Law

The Trust Deed, the Deed Poll, the Agency Agreement, the ECNs, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law save that, where LBG is [the]*/[a]** Guarantor, the provisions of Condition 4 (and related provisions of the Trust Deed) relating to the status and subordination of the Guarantee as they apply to LBG are governed by, and shall be construed in accordance with, Scots law.

(b) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed, the Deed Poll, the Agency Agreement, any ECNs, Coupons or Talons or the Guarantee and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Deed Poll, the Agency Agreement or any ECNs, Coupons or Talons or the Guarantee (“Proceedings”) may be brought in such courts. Each of the Issuer and [the]*/[each]**

Guarantor has in the Trust Deed irrevocably submitted to the jurisdiction of the courts of England in respect of any such Proceedings.

TERMS AND CONDITIONS OF THE UNDATED ECNs

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

The Enhanced Capital Notes (“ECNs”) are constituted by a trust deed dated 1 December 2009 (as amended or supplemented from time to time, the “Trust Deed”) between LBG Capital No. 1 plc, LBG Capital No. 2 plc (each an “Issuer” and together, the “Issuers”), Lloyds Banking Group plc (“LBG”), Lloyds TSB Bank plc (“LTSB”) and BNY Corporate Trustee Services Limited (the “Trustee”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the ECN Holders. These terms and conditions (the “Conditions”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer ECNs, Certificates, Coupons and Talons referred to below. In connection with Conversion of the ECNs, LBG has entered into a deed poll dated 1 December 2009 (as amended or supplemented from time to time, the “Deed Poll”). A paying and conversion agency agreement dated 1 December 2009 (as amended or supplemented from time to time, the “Agency Agreement”) has been entered into in relation to the ECNs between the Issuers, LBG, LTSB, the Trustee, The Bank of New York Mellon (Luxembourg) S.A. as registrar, The Bank of New York Mellon (Luxembourg) S.A. as transfer agent, The Bank of New York Mellon as issuing, paying and conversion agent and calculation agent and the other paying and conversion agents named in it. The issuing, paying and conversion agent, the other paying and conversion agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “Issuing, Paying and Conversion Agent”, the “Paying and Conversion Agents” (which expression shall include the Issuing, Paying and Conversion Agent), the “Registrar”, the “Transfer Agents” (which expression shall include the Registrar), and the “Calculation Agent(s)”. Copies of the Trust Deed, the Deed Poll, the Agency Agreement and the ACSM Calculation Agency Agreement (as defined below) are available for inspection during usual business hours at the principal office of the Trustee (presently at One Canada Square, London E14 5AL, United Kingdom) and at the specified offices of the Paying and Conversion Agents and the Transfer Agents.

The ECN Holders and the holders of the interest coupons (the “Couponholders” and the “Coupons” respectively) relating to Bearer ECNs and, where applicable in the case of Bearer ECNs, talons for further Coupons (the “Talons”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement, the ACSM Calculation Agency Agreement (if any) and the Deed Poll.

Unless otherwise defined in these Conditions or the Trust Deed and unless the context otherwise requires, terms defined and references construed in the Deed Poll shall have the same meaning and construction in these Conditions. Unless otherwise defined in these Conditions, the Trust Deed or the Deed Poll, capitalised terms have the meanings given to them in the relevant final terms relating to the ECNs (the “Final Terms”), the absence of any such meaning indicating that such term is not applicable to the ECNs.

In these Conditions, references to (i) “the Issuer” are to the entity specified as the Issuer in the relevant Final Terms; (ii) “Tranche” means ECNs which are identical in all respects (including as to Issue Date); and (iii) “Series” means a Tranche of ECNs together with any further Tranche or Tranches of ECNs which are (a) expressed to be consolidated and form a single series and (b) identical in all respects except for their respective Issue Dates, Interest Commencement Dates and/or issue prices.

1. Form, Denomination and Title

The ECNs are issued in bearer form (“Bearer ECNs”) or in registered form (“Registered ECNs”) as specified in the relevant Final Terms. Each ECN will be issued in the Specified Denomination(s) specified in the relevant Final Terms.

This ECN is a Fixed Rate ECN, a Floating Rate ECN or a Fixed/Floating Rate ECN, depending upon the Interest Basis shown in the relevant Final Terms.

Bearer ECNs are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached.

Registered ECNs are represented by registered certificates (“Certificates”) and, save as provided in Condition 2(b), each Certificate shall represent the entire holding of Registered ECNs by the same holder.

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

2. No Exchange of ECNs and Transfers of Registered ECNs

(a) No Exchange of ECNs

Registered ECNs may not be exchanged for Bearer ECNs. Bearer ECNs may not be exchanged for Registered ECNs. Bearer ECNs of one Specified Denomination may not be exchanged for Bearer ECNs of another Specified Denomination.

(b) Transfers of Registered ECNs

One or more Registered ECNs may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered ECNs to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. A new Certificate shall be issued to the transferee in respect of the Registered ECNs the subject of the relevant transfer and, in the case of a transfer of part only of a holding of Registered ECNs represented by one Certificate, a new Certificate in respect of the balance of the Registered ECNs not transferred shall be issued to the transferor. In the case of a transfer of Registered ECNs to a person who is already a holder of Registered ECNs, a new Certificate representing the enlarged holding may be issued but only against surrender of the Certificate representing the existing holding of such person. All transfers of Registered ECNs and entries on the Register will be made subject to the detailed regulations concerning transfers of Registered ECNs scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior

written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any ECN Holder upon request.

(c) Delivery of New Certificates

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

(d) Transfers Free of Charge

Transfers of Registered ECNs and the issue of new Certificates on transfer shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(e) Closed Periods

No ECN Holder may require the transfer of a Registered ECN to be registered (i) during the period of 15 days ending on the due date for redemption of the ECNs pursuant to Condition 10, (ii) during the period of 15 days prior to any Conversion Date in respect of a Conversion pursuant to Condition 9(a) or (iii) during the period of seven days ending on (and including) any Record Date.

3. Status and Subordination of the ECNs

(a) Status

The ECNs and Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the ECN Holders and Couponholders are subject to Condition 5(a) and are subordinated as described in Condition 3(b).

(b) Subordination

Without prejudice to the provisions of Condition 14, in the event of:

- (i) an order being made, or an effective resolution being passed, for the winding-up of the Issuer (except a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation of the Issuer or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (y) do not provide that the ECNs shall thereby become redeemable or repayable in accordance with these Conditions); or
- (ii) an administrator of the Issuer being appointed and such administrator declaring, or giving notice that it intends to declare and distribute, a dividend,

the rights and claims of the ECN Holders and the Couponholders against the Issuer in respect of or arising under (including any damages awarded for breach of any obligations under) the ECNs, the Coupons and the Trust Deed relating to them will be subordinated, in the manner provided in this Condition 3(b) and in the Trust Deed, in that there shall be payable by the Issuer whether or not the conditions referred to in Condition 5(a) are satisfied on the date upon which the same would otherwise be due and payable (A) in respect of each ECN (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the holder of such ECN if, throughout such winding-up or administration, such ECN Holder was the holder of one of a class of preference shares in the capital of the Issuer (“Issuer Notional Preference Shares”) having a preferential right to a return of assets in the winding-up or administration over, and so ranking ahead of, the holders of all other classes of issued shares for the time being in the capital of the Issuer but ranking junior to the claims of Issuer Senior Creditors on the assumption that the amount that such ECN Holder was entitled to receive in respect of each Issuer Notional Preference Share on a return of assets in such winding-up or administration was an amount equal to the principal amount of, and any applicable premium on, the relevant ECN, any accrued interest and any outstanding and unsatisfied Deferred Accrued Conversion Interest thereon and, in the case of Registered ECNs, any outstanding and unsatisfied Deferred Interest Payment; (B) in the case of Bearer ECNs, in respect of each Coupon (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the holder of such Coupon if, throughout such winding-up or administration, such holder was the holder of Issuer Notional Preference Shares on the assumption that the amount that such holder was entitled to receive in respect of each Issuer Notional Preference Share on a return of assets in such winding-up or administration was an amount equal to the outstanding and unsatisfied Deferred Interest Payment relating to the relevant Interest Payment Date in respect of such Coupon; and (C) to the extent not otherwise included within (A) or (B) above, any other amounts attributable to the ECNs or relevant Coupons, as the case may be, including any damages awarded for breach of any obligations.

The provisions of this Condition 3(b) apply only to the principal, premium and interest and any other amounts payable in respect of the ECNs and Coupons and nothing in this Condition 3(b) or in Condition 14 shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

4. Guarantee; Status and Subordination of the Guarantee

In these Conditions, references to “the Guarantor” are to either or both of LBG or LTSB, as is specified as the Guarantor(s) in the relevant Final Terms.

In relation to references in these Conditions to “Guarantor”, where the relevant Final Terms specifies one of LBG or LTSB as the Guarantor, the wording appearing in the first set of brackets marked with an * shall apply to the ECNs and where both of LBG and LTSB are specified as Guarantors in the relevant Final Terms, the wording appearing in the second set of brackets marked with a ** shall apply to the ECNs.

(a) Guarantee and Status

The [Guarantor has]*/[Guarantors have, jointly and severally,]** irrevocably and unconditionally guaranteed the due and punctual payment of all principal, premium and interest and any other sums from time to time expressed to be payable by the Issuer in respect of the ECNs and the Coupons and under the Trust Deed in respect thereof. [Its]*/[Their]** obligations in that respect (the “Guarantee”) are contained in the Trust Deed. The obligations of [the]*/[each]** Guarantor under the Guarantee constitute direct and unsecured obligations of [the]*/[that]** Guarantor, subject to Condition 5(a) and are subordinated as described in Condition 4(b).

For the purposes of the obligations of [the]/[each]** Guarantor under the Guarantee, principal, premium and interest and any other sum from time to time expressed to be payable by the Issuer in respect of the ECNs and the Coupons and the Trust Deed in respect thereof shall be deemed to be payable by the Issuer in full notwithstanding the operation of the subordination provisions of Condition 3(b).

(b) Subordination

Without prejudice to the provisions of Condition 14, in the event of:

- (i) an order being made, or an effective resolution being passed, for the winding-up of [the]/[a]** Guarantor (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation of [the]/[such]** Guarantor, the terms of which reorganisation, reconstruction or amalgamation (x) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (y) do not provide that the ECNs shall thereby become redeemable or repayable in accordance with these Conditions); or
- (ii) an administrator of [the]/[a]** Guarantor being appointed and such administrator declaring, or giving notice that it intends to declare and distribute, a dividend,

the rights and claims of the ECN Holders and the Couponholders against [the]/[such]** Guarantor in respect of or arising under (including any damages awarded for breach of any obligations under) the ECNs, the Coupons and the Trust Deed relating to them will be subordinated, in the manner provided in this Condition 4(b) and in the Trust Deed, in that there shall be payable by [the]/[such]** Guarantor whether or not the conditions referred to in Condition 5(a) are satisfied on the date upon which the same would otherwise be due and payable (A) in respect of each ECN (in lieu of any other payment by [the]/[such]** Guarantor), such amount, if any, as would have been payable to the holder of such ECN if, throughout such winding-up or administration, such ECN Holder was the holder of one of a class of preference shares in the capital of [the]/[such]** Guarantor (“Guarantor Notional Preference Shares”) having a preferential right to a return of assets in the winding-up or administration over, and so ranking ahead of, the holders of all other classes of issued shares for the time being in the capital of [the]/[such]** Guarantor but ranking junior to the claims of Guarantor Senior Creditors on the assumption that the amount that such ECN Holder was entitled to receive in respect of each Guarantor Notional Preference Share on a return of assets in such winding-up or administration was an amount equal to the principal amount of, and any applicable premium on, the relevant ECN, any accrued interest and any outstanding and unsatisfied Deferred Accrued Conversion Interest thereon and, in the case of Registered ECNs, any outstanding and unsatisfied Deferred Interest Payment; (B) in the case of Bearer ECNs, in respect of each Coupon (in lieu of any other payment by [the]/[such]** Guarantor), such amount, if any, as would have been payable to the holder of such Coupon if, throughout such winding-up or administration, such holder was the holder of Guarantor Notional Preference Shares on the assumption that the amount that such holder was entitled to receive in respect of each Guarantor Notional Preference Share on a return of assets in such winding-up or administration was an amount equal to the outstanding and unsatisfied Deferred Interest Payment relating to the relevant Interest Payment Date in respect of such Coupon; and (C) to the extent not otherwise included within (A) or (B) above, any other amounts attributable to the ECNs or relevant Coupons, as the case may be, including any damages awarded for breach of any obligations.

The provisions of this Condition 4(b) apply only to the principal, premium and interest and any other amounts payable in respect of the ECNs and Coupons and nothing in this Condition 4(b) or in

Condition 14 shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

5. Solvency Condition and Set-off

(a) Solvency Condition

- (i) Except where either Condition 3(b) or 4(b) applies, payments in respect of or arising under (including any damages awarded for breach of any obligations under) the ECNs and the Coupons (other than the payment of the Conversion Settlement Sum pursuant to Condition 9) are, in addition to the right of [the]*/[either]** Guarantor to procure the Issuer to defer payments of interest in accordance with Condition 7(a), conditional upon [the]*/[each]** Guarantor being solvent at the time when the relevant payment is due to be made pursuant to these Conditions and no principal, premium, interest or any other amount payable in respect of the ECNs shall be due and payable in respect of or arising from the ECNs, the relative Coupons and the Trust Deed except to the extent that, on the assumption that such payment is to be made by [the]*/[either]** Guarantor, [the]*/[each]** Guarantor could make such payment and would still be solvent immediately thereafter.
- (ii) In these Conditions, [the]*/[each]** Guarantor shall be considered to be solvent if (x) it is able to pay its debts owed to Guarantor Senior Creditors as they fall due and (y) its Assets exceed its Liabilities (other than its Liabilities to persons who are not Guarantor Senior Creditors). A certificate as to the solvency of [the]*/[each]** Guarantor signed by two Authorised Signatories of [the]*/[such]** Guarantor (or if there is a winding-up or administration of [the]*/[such]** Guarantor, the liquidator or, as the case may be, the administrator of [the]*/[such]** Guarantor) shall, in the absence of manifest error, be treated and accepted by the Issuer, [the]*/[such]** Guarantor, the Trustee, the ECN Holders, the Couponholders and all other interested parties as correct and sufficient evidence thereof.
- (iii) Except where either Condition 3(b) or 4(b) applies, any Deferred Interest Payment or Deferred Accrued Conversion Interest which arises as a result of this Condition 5(a) shall only be satisfied at the time and in the manner specified in Condition 7(b) or, as the case may be, Condition 7(c).
- (iv) The provisions of this Condition 5(a) apply only to the principal, premium and interest and any other amounts payable in respect of the ECNs and Coupons and nothing in this Condition 5(a) or in Condition 14 shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

(b) Set-off

Subject to applicable law, no ECN Holder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer or [the]*/[a]** Guarantor in respect of, or arising under or in connection with, the ECNs or the Coupons and each ECN Holder and Couponholder shall, by virtue of his holding of any ECN or Coupon, be deemed to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any ECN Holder or Couponholder by the Issuer or [the]*/[a]** Guarantor in respect of, or arising under or in connection with, the ECNs is discharged by set-off, such ECN Holder or Couponholder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer or [the]*/[the relevant]** Guarantor, as the

case may be, (or, in the event of its winding-up or administration, the liquidator or, as appropriate, administrator of the Issuer or [the]*/[the relevant]** Guarantor, as the case may be) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer or [the]*/[such]** Guarantor, as the case may be, (or the liquidator or, as appropriate, administrator of the Issuer or [the]*/[such]** Guarantor (as the case may be)) and accordingly any such discharge shall be deemed not to have taken place.

6. Interest Calculations

(a) Interest on Fixed Rate ECNs

Each Fixed Rate ECN bears interest on its principal amount from time to time from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Fixed Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 6(f).

(b) Interest on Floating Rate ECNs

(i) *Interest Payment Dates*

Each Floating Rate ECN bears interest on its principal amount from time to time from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Floating Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 6(f).

(ii) *Business Day Convention*

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

(iii) *Floating Rate of Interest for Floating Rate ECNs*

The Floating Rate of Interest in respect of Floating Rate ECNs for each Interest Accrual Period shall be determined as provided herein:

- (x) The Floating Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:
 - (1) the offered quotation; pr
 - (2) the arithmetic mean of the offered quotations;

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time if the Reference Rate is LIBOR or Brussels time if the Reference Rate is EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

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

- (y) If the Relevant Screen Page is not available or if sub-paragraph (x)(1) above applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Floating Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.
- (z) If paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Floating Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks, or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, which, if the Reference Rate is LIBOR, at approximately

11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Floating Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(c) Interest on Fixed/Floating Rate ECNs

Each Fixed/Floating Rate ECN bears interest on its principal amount from time to time from the Interest Commencement Date and during the Fixed Interest Rate Period at the rate per annum (expressed as a percentage) equal to the Fixed Rate of Interest, such interest being paid in arrear on each Interest Payment Date falling in the Fixed Interest Rate Period, and during the Floating Interest Rate Period at the rate per annum (expressed as a percentage) equal to the Floating Rate of Interest, such interest being paid in arrear on each Interest Payment Date falling in the Floating Rate Interest Period. The amount of interest payable shall be determined in accordance with Condition 6(f).

(d) Accrual of Interest

- (i) Where an ECN is to be redeemed pursuant to Condition 10(c), 10(d), 10(e) or 11(i), interest shall accrue up to (but excluding) the due date for redemption, and shall cease to accrue on such ECN on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the relevant Rate of Interest from time to time in the manner provided in this Condition 6 to the Relevant Date.
- (ii) In the case of a Conversion in respect of the ECNs, interest shall accrue on the principal amount of each ECN up to (but excluding) the Conversion Date and interest shall cease to accrue on each ECN with effect from the Conversion Date. In the case of a Conversion in respect of Bearer ECNs, all Coupons relating to Interest Payment Dates falling after the Conversion Date shall be void and no payment shall be made in respect of them.

(e) Margin, Maximum/Minimum Rates of Interest and Rounding

- (i) If any Margin is specified in the relevant Final Terms (either (x) generally or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 6(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

- (ii) If any Maximum or Minimum Rate of Interest is specified in the relevant Final Terms, then any Rate of Interest shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is legal tender.

(f) Calculations

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

(g) Determination and Publication of Rates of Interest, Interest Amounts and Make Whole Redemption Price

The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or at such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation under these Conditions, calculate such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Make Whole Redemption Price, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Make Whole Redemption Price to be notified to the Trustee, the Issuer, [the Guarantor]*/[the Guarantors]**, each of the Paying and Conversion Agents, the ECN Holders, any other Calculation Agent appointed in respect of the ECNs that is to make a further calculation upon receipt of such information and, if the ECNs are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 6(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If there is a default in payment in respect of the ECNs as provided in Condition 14(a), the accrued interest and the Rate of Interest payable in respect of the ECNs shall

nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(h) Determination or Calculation by Trustee

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

(i) Definitions

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

“Business Day” means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, a day on which the TARGET system is operating (a “TARGET Business Day”); and/or
- (iii) in the case of a currency and/or one or more Business Centres specified in the relevant Final Terms a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

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

- (i) if “Actual/Actual” or “Actual/Actual – ISDA” is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365;
- (iii) if “Actual/360” is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 360;
- (iv) if “Actual/Actual-ICMA” is specified in the relevant Final Terms,

- (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
- (b) if the Calculation Period is longer than one Determination Period, the sum of:
 - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
 - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

“Determination Date” means the date(s) specified as such in the relevant Final Terms or, if none is so specified, the Interest Payment Date(s); and

“Determination Period” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

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

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

where:

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

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

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

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

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

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30.

“Euro-zone” means the region comprising member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

“Fixed Interest Rate Period” means the period specified as such in the relevant Final Terms.

“Fixed Rate of Interest” means the rate of interest payable from time to time in respect of a Fixed Rate ECN or during the Fixed Interest Rate Period in respect of a Fixed/Floating Rate ECN and that is either specified in the relevant Final Terms or calculated in accordance with the provisions in the relevant Final Terms.

“Floating Interest Rate Period” means the period specified as such in the relevant Final Terms.

“Floating Rate of Interest” means the rate of interest payable from time to time in respect of a Floating Rate ECN or during the Floating Interest Rate Period in respect of a Fixed/Floating Rate ECN and that is either specified in the relevant Final Terms or calculated in accordance with the provisions in the relevant Final Terms.

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

“Interest Amount” means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate ECNs, and unless otherwise specified in the relevant Final Terms, shall mean the Fixed Coupon Amount or Broken Amount specified in the relevant Final Terms as being payable on the Interest Payment Date ending in the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“Interest Commencement Date” means the Issue Date specified in the relevant Final Terms or such other date as may be specified in the relevant Final Terms.

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

“Interest Payment Date” means, in respect of the ECNs, the date or dates specified as such, or determined as provided, in the relevant Final Terms.

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

“Interest Period Date” means each Interest Payment Date unless otherwise specified in the relevant Final Terms.

“Rate of Interest” means the Fixed Rate of Interest and/or Floating Rate of Interest, as the case may be.

“Reference Banks” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR,

the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified in the relevant Final Terms.

“Reference Rate” means the rate specified as such in the relevant Final Terms.

“Relevant Screen Page” means such page, section, caption, column or other part of a particular information service as may be specified in the relevant Final Terms.

“Specified Currency” means the Specified Currency or Currencies specified in the relevant Final Terms.

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(j) Calculation Agent

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the relevant Final Terms and for so long as any ECN is outstanding. Where more than one Calculation Agent is appointed in respect of the ECNs, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount or Make Whole Redemption Price, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior written approval of the Trustee) appoint a leading bank or financial institution engaged in the inter-bank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

7. Interest Deferral

- (a) [The]/[Either]** Guarantor may procure the Issuer to elect, subject as provided below, to defer the payment of the interest which is otherwise due to be paid on an Interest Payment Date or the payment of any Accrued Conversion Interest otherwise payable on the Conversion Date by giving notice of such election to the ECN Holders in accordance with Condition 19 and to the Trustee and the Issuing, Paying and Conversion Agent not more than 30 nor less than 20 London business days prior to the relevant Interest Payment Date or, as the case may be, not more than 30 nor less than 20 London business days prior to the Conversion Date. Payments of interest due to be paid on an Interest Payment Date or payments of Accrued Conversion Interest due on the Conversion Date may not be deferred pursuant to this Condition 7(a) if, at any time when the right of deferral pursuant to this Condition 7(a) may still be exercised, the ECNs have ceased to be eligible to qualify (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) as regulatory capital for LBG on a consolidated basis under Regulatory Capital Requirements (and LBG has notified the FSA of such occurrence) unless a Capital Breach Event has also occurred and is continuing at such time.
- (b) The Issuer shall satisfy in full any outstanding and unpaid Deferred Interest Payment:
 - (i) in cash upon any redemption of the ECNs pursuant to these Conditions (other than pursuant to Condition 9(b)(i)); or

- (ii) (except where Condition 5(a) applies) in cash at any time at its option upon the expiry of not less than 14 days' notice to such effect given by the Issuer to the ECN Holders in accordance with Condition 19, the Trustee and the Issuing, Paying and Conversion Agent; or
 - (iii) in cash where Condition 3(b) or Condition 4(b) applies, but without prejudice to the provisions of those Conditions subordinating the claims of holders of ECNs and Coupons; or
 - (iv) in any event, in relation to any Deferred Interest Payment relating to any particular Interest Payment Date, as soon as reasonably practicable and in any event within three months following such Interest Payment Date, but in any such case only by the operation of the procedures set out in Condition 8.
- (c) The Issuer shall satisfy in full any Deferred Accrued Conversion Interest: (i) as soon as practicable by operation of the procedures set out in Condition 8, or (ii) to the extent not satisfied in accordance with Condition 7(c)(i), in cash where Condition 3(b) or 4(b) applies, but without prejudice to the provisions of these Conditions subordinating the claims of holders of ECNs and Coupons.
- (d) If, on any Interest Payment Date, payment of all interest due to be made on such date is not made in full by reason of either Condition 5(a) or this Condition 7, neither the Issuer nor [the]*/[either]** Guarantor shall (i) declare or pay any distribution or dividend (other than a dividend declared by the Issuer or [the]*/[either]** Guarantor, as the case may be, before the Issuer gives notice that such payment of any interest is to be deferred and other than distributions or dividends declared, paid or made by the Issuer to a member of the LBG Group) or make any other payment on, and each of the Issuer and [the]*/[each]** Guarantor will procure that no distribution or dividend or other payment is made on, any Junior Securities, save in the case of any Junior Securities (other than the 2004 Preference Shares) the first tranche of which was in issue prior to the Issue Date and the terms and conditions of which do not permit the Issuer, or [the]*/[either]** Guarantor, as the case may be, to defer, pass, cancel or eliminate the relevant distribution, dividend or other payment; or (ii) redeem, purchase, cancel, reduce or otherwise acquire any Junior Securities, in each case unless or until all Deferred Interest Payments have been satisfied in full.
- (e) Notwithstanding any other provision in these Conditions or the Trust Deed, the deferral of any payment of interest (including Accrued Conversion Interest) by virtue of Condition 7(a) and any payment which for the time being is not made by virtue of Condition 5(a) shall not constitute a default for any purpose (including, without limitation, Condition 14(a)) on the part of the Issuer or [the]*/[either]** Guarantor. If so specified in the relevant Final Terms, any outstanding and unsatisfied Deferred Interest Payment and Deferred Accrued Conversion Interest shall bear interest at the rate, and on the terms, specified in such Final Terms.

8. Alternative Coupon Satisfaction Mechanism

(a) Alternative Coupon Satisfaction Mechanism

Where a Deferred Interest Payment or Deferred Accrued Conversion Interest is to be satisfied as provided in this Condition 8, it shall be so satisfied in accordance with the Alternative Coupon Satisfaction Mechanism (the "ACSM") as provided in this Condition 8. The Issuer shall notify the ECN Holders in accordance with Condition 19 and the Trustee, the Issuing, Paying and Conversion Agent, the Calculation Agent and the ACSM Calculation Agent not less than 10 London business days

prior to the relevant ACSM Payment Date that a Deferred Interest Payment or Deferred Accrued Conversion Interest is to be satisfied on such ACSM Payment Date.

(b) Issue of Ordinary Shares

If any Deferred Interest Payment or Deferred Accrued Conversion Interest is to be satisfied pursuant to the provisions of this Condition 8 then, subject to Conditions 8(d) and 8(e):

- (i) such Deferred Interest Payment or Deferred Accrued Conversion Interest shall become due and payable to ECN Holders but the ECN Holders shall be deemed irrevocably to have directed and authorised the Issuer to pay the amount of such Deferred Interest Payment or Deferred Accrued Conversion Interest to LBG, and the Issuer shall be deemed to have agreed to make such payment to LBG as consideration for LBG's agreement to issue Payment LBG Shares to the ACSM Calculation Agent pursuant to Condition 8(b)(ii) (but subject to the issue by LBG of such Payment LBG Shares to the ACSM Calculation Agent) and the obligations of the Issuer to ECN Holders in respect of the relevant Deferred Interest Payment or Deferred Accrued Conversion Interest shall be discharged by the Issuer's obligation to make such payment to LBG, but without prejudice to the other provisions of this Condition 8;
- (ii) in consideration of the Issuer's agreement to make the relevant payment pursuant to paragraph (i) above, LBG shall issue to the ACSM Calculation Agent such number of Ordinary Shares (the "Payment LBG Shares") as, in the determination of the ACSM Calculation Agent, will have a market value as near as practicable to, but not less than, the relevant Deferred Interest Payment or Deferred Accrued Conversion Interest to be satisfied in accordance with this Condition 8; and
- (iii) the ACSM Calculation Agent shall be required to agree in the ACSM Calculation Agency Agreement to use reasonable endeavours to procure purchasers for such Payment LBG Shares. If necessary, the ACSM Calculation Agent shall further be required to agree in the ACSM Calculation Agency Agreement to convert the net proceeds of such sale into the Specified Currency at prevailing market exchange rates. The ACSM Calculation Agent shall further be required to agree to deliver the amount of such proceeds of sale (if necessary, as so converted) to the Issuing, Paying and Conversion Agent for application in accordance with Condition 8(c).

If the net proceeds of the issue and/or sale of the Payment LBG Shares will not, in the opinion of the ACSM Calculation Agent, subject to Conditions 8(d) and 8(e) but despite the arrangements described above, result in a sum at least equal to the relevant Deferred Interest Payment or Deferred Accrued Conversion Interest being available to satisfy the relevant Deferred Interest Payment or Deferred Accrued Conversion Interest in full on the relevant ACSM Payment Date, LBG shall use all reasonable endeavours to issue and/or sell additional Payment LBG Shares on one or more further occasions, following, *mutatis mutandis*, the procedures contained above, to ensure that a sum as near as practicable to, and at least equal to, the relevant Deferred Interest Payment or Deferred Accrued Conversion Interest will be available to satisfy the relevant Deferred Interest Payment or Deferred Accrued Conversion Interest in full as soon as reasonably practicable.

(c) Application of Proceeds

The net proceeds of sale of Payment LBG Shares shall promptly following receipt be paid by the Issuing, Paying and Conversion Agent to the ECN Holders in respect of the relevant Deferred Interest Payment or Deferred Accrued Conversion Interest as provided in Condition 11 or in such other manner

as the Trustee shall determine to be appropriate and notify to the ECN Holders in accordance with Condition 19 (in respect of each ECN on a pro rata basis if the net proceeds are insufficient to satisfy the relevant payment in full).

(d) Sufficiency and Availability of Ordinary Shares

The ability of the Issuer to use the ACSM to satisfy any Deferred Interest Payments or Deferred Accrued Conversion Interest in respect of the ECNs on a relevant ACSM Payment Date is subject to the following conditions: (i) LBG shall not be required to issue any Payment LBG Shares, or cause them to be issued, at a price below their nominal value; (ii) LBG having a sufficient number of authorised but unissued Payment LBG Shares prior to any issue of Payment LBG Shares in accordance with Condition 8(b); and (iii) the Directors of LBG must have the necessary authority under Scots law to issue and allot a sufficient number of Payment LBG Shares in accordance with Condition 8(b).

(e) Market Disruption

Notwithstanding the provisions of this Condition 8, if there exists, in the opinion of LBG, a Market Disruption Event on or after notice has been given by the Issuer pursuant to Condition 8(a), then the Issuer may give a notice to the Trustee (in a certificate signed by two Authorised Signatories of the Issuer), the Issuing, Paying and Conversion Agent, the Calculation Agent, the ACSM Calculation Agent and (in accordance with Condition 19) the ECN Holders as soon as possible after the Market Disruption Event has arisen or occurred, whereupon the relevant Deferred Interest Payment or Deferred Accrued Conversion Interest may be deferred until such time as the Market Disruption Event, in the opinion of LBG, no longer exists.

Any such Deferred Interest Payment or Deferred Accrued Conversion Interest will be satisfied by way of the ACSM as soon as practicable following such time as, in the opinion of LBG, the Market Disruption Event no longer exists (as notified to the Trustee by LBG).

(f) Treatment of Deferred Interest Payment or Deferred Accrued Conversion Interest Not Satisfied by ACSM

If, after LBG having used all reasonable endeavours, any Deferred Interest Payment or Deferred Accrued Conversion Interest is not satisfied in accordance with this Condition 8 (whether as a consequence of the proceeds of issue and/or sale of Payment LBG Shares being insufficient to discharge such Deferred Interest Payment or Deferred Accrued Conversion Interest or as a consequence of the Issuer being unable to operate the ACSM by reason of the operation of Condition 8(d) or 8(e), or otherwise), this shall not constitute a default for any purpose (including, without limitation, Condition 14(a)) on the part of the Issuer or [the]*/[either]** Guarantor. Any such Deferred Interest Payment or Deferred Accrued Conversion Interest not so satisfied shall continue to fall to be settled as soon as reasonably practicable in accordance with Condition 7(b) (in the case of Deferred Interest Payment) or Condition 7(c) (in the case of any Deferred Accrued Conversion Interest) and, to the extent of the shortfall, the direction and authorisation to pay a Deferred Interest Payment or Deferred Accrued Conversion Interest to LBG pursuant to Condition 8(b) shall lapse.

(g) Listing

LBG shall ensure (to the extent possible) that, at the time when any Payment LBG Shares are issued pursuant to this Condition 8, such Payment LBG Shares are listed on the London Stock Exchange.

LBG shall, subject to compliance with the requirements of the Companies Act, use all reasonable endeavours to obtain and maintain at all times all corporate authorisations and take any other corporate actions required for the issue and allotment of such number of Ordinary Shares as it reasonably

considers would be required to be issued in order to enable the satisfaction of any Deferred Interest Payments and Deferred Accrued Conversion Interest pursuant to this Condition 8, provided that such reasonable endeavours shall be satisfied where the relevant corporate authorisation or action required is to be obtained or done by the passing of a resolution of the shareholders of LBG and the directors of LBG propose a relevant resolution to its shareholders for approval at any general meeting of LBG and, if such proposal is rejected, the relevant resolution is proposed again at the next general meeting of LBG.

No damages will be payable for breach of this covenant.

The Trustee shall not be obliged to monitor compliance by LBG with this Condition 8(g) or to ascertain at any time whether or not a Capital Breach Event or Market Disruption Event has occurred or whether any payment has been or may be deferred and shall be entitled to assume, unless it has actual knowledge to the contrary pursuant to the Trust Deed, that LBG is complying with its obligations under this Condition 8(g) and that no such event has occurred.

9. Conversion

(a) Conversion upon Conversion Trigger

- (i) If the Conversion Trigger occurs at any time, each ECN shall, subject to and as provided in this Condition 9(a) and in the Deed Poll, be converted on the Conversion Date into new and/or existing (as determined by LBG) Ordinary Shares credited as fully paid in the manner and in the circumstances described below and in the Deed Poll.

The ECNs are not convertible at the option of ECN Holders at any time.

The “Conversion Trigger” shall occur if at any time, as disclosed in the latest published annual or semi-annual consolidated financial statements of LBG or as otherwise publicly disclosed by LBG at any time, LBG’s Consolidated Core Tier 1 Ratio is less than 5 per cent. As used in these Conditions, “Consolidated Core Tier 1 Ratio” means the ratio of the Core Tier 1 Capital of LBG to the risk weighted assets of LBG, in each case, calculated on a consolidated basis.

As soon as reasonably practicable following the occurrence of the Conversion Trigger, the Issuer shall give notice thereof to holders of the ECNs (the “Conversion Trigger Notice”) in accordance with Condition 19. The Conversion Trigger Notice shall specify the Consolidated Core Tier 1 Ratio, the prevailing Conversion Price and the Conversion Date, which shall be not earlier than 20 London business days nor later than 30 London business days following the giving of the Conversion Trigger Notice.

- (ii) If the Conversion Trigger occurs, the ECNs will be converted in whole and not in part as provided below and in the Deed Poll.
- (iii) Prior to giving the Conversion Trigger Notice, the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of LBG stating that the Conversion Trigger has occurred and the Trustee shall accept such certificate without any further enquiry as sufficient evidence of such matters, and such certificate will be conclusive and binding on the Trustee and the ECN Holders.
- (iv) If a Relevant Event shall occur that is a Qualifying Relevant Event, then, where the Conversion Date falls on or after the New Conversion Condition Effective Date, each ECN shall, upon the occurrence of the Conversion Trigger, subject to and as provided in this

Condition 9(a) and the Deed Poll, be converted into Relevant Shares of the Approved Entity.

- (v) If a Relevant Event shall occur that is a Non-Qualifying Relevant Event and where the Acquiror is an Approved Entity, then, with effect from the date falling eight days following the occurrence of such Relevant Event and unless the Conversion Trigger shall have occurred prior to such date, outstanding ECNs shall not be subject to Conversion at any time notwithstanding that a Conversion Trigger may occur subsequently.
- (vi) If a Relevant Event shall occur that is a Non-Qualifying Relevant Event and where the Acquiror is not an Approved Entity, then, with effect from the occurrence of such Relevant Event and unless the Conversion Trigger shall have occurred prior to such date, outstanding ECNs shall not be subject to Conversion at any time notwithstanding that a Conversion Trigger may occur subsequently.

(b) Payment of Conversion Settlement Sum

- (i) Upon Conversion, the Issuer shall redeem the ECNs at a price (the “Conversion Settlement Sum”) equal to their principal amount. ECN Holders shall be deemed irrevocably to have directed and authorised the Issuer to pay the Conversion Settlement Sum to LBG as consideration for LBG’s agreement to issue Ordinary Shares pursuant to the Deed Poll and the obligations of the Issuer and [the]*/[each]** Guarantor to pay principal on the relevant ECNs to holders of the ECNs shall be discharged by the Issuer’s obligation to pay the Conversion Settlement Sum to LBG.
- (ii) In order to obtain delivery of Ordinary Shares on a Conversion, ECN Holders will be required to comply with the provisions of the Deed Poll which require, amongst other things, the delivery of a Conversion Notice and the relevant ECNs or the Certificate representing the same (in the case of Registered ECNs) on or before the Notice Cut-off Date. If ECN Holders fail to make such delivery on or before the Notice Cut-off Date or otherwise the relevant Conversion Notice shall have been determined to be null and void pursuant to the Deed Poll, the Deed Poll contains provisions relating to the sale of the relevant Ordinary Shares and the payment of the net proceeds of such sale (the “Ordinary Share Sale Proceeds”) to such ECN Holders.
- (iii) LBG has agreed in the Deed Poll that, in consideration of the Issuer’s agreement to pay the Conversion Settlement Sum, it will issue or deliver Ordinary Shares as provided therein and, in the circumstances provided therein, pay the Ordinary Share Sale Proceeds to the relevant ECN Holders. ECN Holders shall have recourse only to LBG under the Deed Poll for the issue or delivery of such Ordinary Shares pursuant to the Deed Poll or, as the case may be, the payment of any Ordinary Share Sale Proceeds and in particular will have no recourse in respect thereof to the Issuer or (but without prejudice to the foregoing) [the]*/[either]** Guarantor.
- (iv) The Trustee shall have no responsibility in respect of LBG’s obligations under the Deed Poll upon Conversion, shall have no powers of enforcement under or in respect of the Deed Poll and shall incur no liability in respect of any failure by LBG to comply with its obligations under the Deed Poll. The ECN Holders alone shall have power to enforce the terms of the Deed Poll against LBG.

(c) Accrued Conversion Interest

- (i) Upon Conversion, the Issuer shall pay to the ECN Holders the Accrued Conversion Interest (if any) in respect of the ECNs on the Conversion Date, unless Condition 5(a) shall apply or unless such payment is deferred in accordance with Condition 7.
- (ii) Payment of any Accrued Conversion Interest will be made by transfer to an account with a bank in the principal financial centre of the Specified Currency or, in the case of a payment in euro, to an account with a bank in a city in which banks have access to the TARGET System, as specified in the relevant Conversion Notice or, as the case may be, as provided below.
- (iii) If, in the case of a Conversion, a Conversion Notice and the relevant ECNs or the Certificate representing the same (in the case of Registered ECNs) are not delivered to a Paying and Conversion Agent on or before the Notice Cut-off Date or otherwise the relevant Conversion Notice shall have been determined to be or treated as null and void pursuant to the Deed Poll, any Accrued Conversion Interest in respect of the relevant ECNs which is to be paid on the Conversion Date shall be paid on the Conversion Date to the Issuing, Paying and Conversion Agent for distribution to the relevant ECN Holders in accordance with Condition 11 or in such other manner and at such time as the Trustee shall determine and notify to the ECN Holders pursuant to Condition 19.

10. Redemption and Purchase

(a) No Fixed Redemption Date

The ECNs are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 3(b) and without prejudice to the provisions of Condition 14) only have the right to repay them or purchase them in accordance with the following provisions of this Condition 10 and subject to Condition 9(b).

(b) Conditions to Redemption and Purchase

Any redemption or purchase of the ECNs in accordance with Condition 10(c), (d), (e) or (g) or 11(i) is subject to (i) LBG giving at least one month's prior written notice to, and receiving no objection from or, in the case of any redemption of the ECNs prior to the fifth anniversary of the Issue Date, receiving the consent of, the FSA (or such other period of notice as the FSA may from time to time require or accept and, in any event, provided that any such notice is required to be given) and (ii) LBG (both at the time of, and immediately following, the redemption or purchase) being in compliance with the Regulatory Capital Requirements applicable to it from time to time (and a certificate from any two Authorised Signatories of LBG confirming such compliance shall be conclusive evidence of such compliance).

Prior to the publication of any notice of redemption pursuant to Condition 10(c), (d) or (e) or 11(i), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer (or, in relation to the solvency condition set out in Condition 5(a), [the]*/[each]** Guarantor) stating that the relevant requirement or circumstance giving rise to the right to redeem is satisfied (including the solvency condition set out in Condition 5(a)) and the reasons therefor and the Trustee shall accept such certificate(s) without any further inquiry as sufficient evidence of the satisfaction of the relevant conditions precedent, and such certificate shall be conclusive and binding on the Trustee and the ECN Holders.

(c) Issuer's Call Option

Subject to Conditions 5(a) and 10(b), the Issuer may, by giving not less than 10 nor more than 21 days' notice to the ECN Holders in accordance with Condition 19, the Trustee, the Issuing, Paying and Conversion Agent and the Registrar (which notice shall, subject as provided in Condition 10(f), be irrevocable) elect to redeem all, but not some only, of the ECNs on any of the Optional Redemption Dates (if any) specified in the relevant Final Terms, at their Optional Redemption Amount(s) specified in, or determined in the manner specified in, the relevant Final Terms, together with any accrued but unpaid interest to (but excluding) the relevant Optional Redemption Date and outstanding and unsatisfied Deferred Interest Payments. Upon the expiry of such notice, the Issuer shall redeem the ECNs as aforesaid.

(d) Redemption Due to Taxation

If, immediately prior to the giving of the notice referred to below, a Tax Event has occurred and is continuing, then the Issuer may, subject to Conditions 5(a) and 10(b) and having given not less than 10 nor more than 21 days' notice to the Trustee, the Issuing, Paying and Conversion Agent, the Registrar and, in accordance with Condition 19, the ECN Holders (which notice shall, subject as provided in Condition 10(f), be irrevocable), redeem in accordance with these Conditions at any time (in the case of a Fixed Rate ECN or in the Fixed Interest Rate Period in the case of a Fixed/Floating Rate ECN) or on any Interest Payment Date (in the case of a Floating Rate ECN or in the Floating Interest Rate Period in the case of a Fixed/Floating Rate ECN) all, but not some only, of the ECNs at their Tax Event Redemption Price, together with any accrued but unpaid interest to (but excluding) the relevant redemption date and outstanding and unsatisfied Deferred Interest Payments. Upon the expiry of such notice, the Issuer shall redeem the ECNs as aforesaid.

(e) Redemption for Regulatory Purposes

If, immediately prior to the giving of the notice referred to below, a Capital Disqualification Event has occurred and is continuing, then the Issuer may, subject to Conditions 5(a) and 10(b) and having given not less than 10 nor more than 21 days' notice to the ECN Holders in accordance with Condition 19, the Trustee, the Issuing, Paying and Conversion Agent and the Registrar (which notice shall, subject as provided in Condition 10(f), be irrevocable), redeem in accordance with these Conditions at any time (in the case of a Fixed Rate ECN or in the Fixed Interest Rate Period in the case of a Fixed/Floating Rate ECN) or on any Interest Payment Date (in the case of a Floating Rate ECN or in the Floating Interest Rate Period in the case of a Fixed/Floating Rate ECN) all, but not some only, of the ECNs at their Capital Disqualification Event Redemption Price, together with any accrued but unpaid interest to (but excluding) the relevant redemption date and outstanding unsatisfied Deferred Interest Payments. Upon the expiry of such notice, the Issuer shall redeem the ECNs as aforesaid.

(f) Conversion Trigger

The Issuer may not give a notice of redemption of the ECNs pursuant to this Condition 10 if a Conversion Trigger Notice shall have been given. If a Conversion Trigger Notice shall be given after a notice of redemption shall have been given by the Issuer but before the relevant redemption date, such notice of redemption shall automatically be revoked and be null and void and the relevant redemption shall not be made.

(g) Purchases

The Issuer or LBG (or any Subsidiary of LBG) may, subject to Conditions 5(a) and 10(b), at any time purchase or procure others to purchase beneficially for its account ECNs in any manner and at any

price. In any such case, purchases of Bearer ECNs will be made together with all unmatured Coupons and unexchanged Talons (if appropriate) appertaining thereto.

(h) Cancellation

All ECNs redeemed by the Issuer pursuant to this Condition 10 (together, in the case of Bearer ECNs, with all unmatured Coupons and unexchanged Talons relating thereto (if appropriate)) will forthwith be cancelled. All ECNs purchased by or on behalf of the Issuer or LBG or any Subsidiary of LBG may be held, reissued, resold or, at the option of LBG or the Issuer or any such Subsidiary, surrendered for cancellation (together, where applicable, with all unmatured Coupons and all unexchanged Talons) to the Issuing, Paying and Conversion Agent. ECNs so surrendered shall be cancelled forthwith (together, where applicable, with all unmatured Coupons and unexchanged Talons attached). Any ECNs so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and [the]*/[each]** Guarantor in respect of any such ECNs shall be discharged.

(i) Trustee Not Obligated to Monitor

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 10 and will not be responsible to ECN Holders for any loss arising from any failure by it to do so. Unless and until the Trustee has actual knowledge of the occurrence of any event or circumstance within this Condition 10, it shall be entitled to assume that no such event or circumstance exists.

In the case of a redemption of the ECNs pursuant to Condition 10(e), LBG intends to replace the ECNs with the issue of securities or other instruments that, on a solo and/or consolidated basis, would, by their terms, be capable of qualifying as Upper Tier 2 Capital of LBG, or better.

The Trust Deed contains provisions entitling the Issuer or the Guarantor(s) to require the holder or beneficial owner of ECNs represented by an interest in the Restricted Global Certificate (as defined in the Trust Deed) to sell its interest in such ECNs or to arrange for such interest to be sold on behalf of the relevant holder, if such holder is a U.S. person that is not a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act of 1933, as amended) who, in the judgement of the Guarantor(s), has purchased its ECNs in a transaction that is not exempt from the registration requirements of the Securities Act of 1933, as amended. In any such case, neither the Issuer nor the Guarantor(s) shall have any liability or responsibility for the timing of any such sale or for the price at which any such ECNs are sold. If any such sale is effected pursuant to arrangements made by the Issuer or the Guarantor(s), the Issuer or the Guarantor(s) will arrange for the net proceeds of any such sale (after deduction in respect of expenses and any taxes) to the relevant holder of the ECNs at such time as the Issuer or the Guarantor(s) may determine.

11. Payments and Talons

(a) Bearer ECNs

- (i) Payment of principal and premium (if any) in respect of Bearer ECNs to be made to holders of Bearer ECNs, payment of accrued interest payable on a redemption of Bearer ECNs (other than on an Interest Payment Date) and payment of any Accrued Conversion Interest that is to be paid in accordance with this Condition 11 shall, in each case, be made against presentation and surrender of the relevant Bearer ECNs at the specified office of any Paying and Conversion Agent outside the United States.

- (ii) Payment of interest to be made to holders of Bearer ECNs on an Interest Payment Date will be made against presentation and surrender of the relevant Coupons at the specified office of any Paying and Conversion Agent outside the United States.
- (iii) All such payments referred to in (i) and (ii) shall be made by cheque payable in the relevant currency drawn on or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. "Bank" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.
- (iv) Payments of all amounts other than as referred to in (i) and (ii) will be made as provided in these Conditions.

(b) Registered ECNs

- (i) Payments of principal and premium (if any) to be made to holders in respect of Registered ECNs, payments of accrued interest payable on a redemption of Registered ECNs (other than on an Interest Payment Date) and payment of any Accrued Conversion Interest that is to be paid in accordance with this Condition 11 shall, in each case, be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in (ii) below.
- (ii) Payments of interest to be made to holders in respect of Registered ECNs due on an Interest Payment Date shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "Record Date").
- (iii) All such payments shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such ECN at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.
- (iv) Payments of all other amounts other than as referred to in (i) and (ii) will be made as provided in these Conditions.

(c) Payments in the United States

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

(d) Payments subject to Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 12. No commission or expenses shall be charged to the ECN Holders or Couponholders in respect of such payments.

(e) Appointment of Agents

The initial Issuing, Paying and Conversion Agent, the other Paying and Conversion Agents, Registrar, Transfer Agents and Calculation Agent and their respective specified offices are listed below. The Issuing, Paying and Conversion Agent, the Paying and Conversion Agents, the Registrar, the Transfer Agents, the Calculation Agent and ACSM Calculation Agent act solely as agents of the Issuer and [the]*/[each]** Guarantor and do not assume any obligation or relationship of agency or trust for or with any ECN Holder or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing, Paying and Conversion Agent, any other Paying and Conversion Agent, the Registrar, any Transfer Agent, the Calculation Agent(s) or the ACSM Calculation Agent and to appoint additional or other Paying and Conversion Agents, Calculation Agents, Transfer Agents or ACSM Calculation Agents, provided that there shall at all times be (i) an Issuing, Paying and Conversion Agent, (ii) a Registrar in relation to Registered ECNs, (iii) a Transfer Agent in relation to Registered ECNs, (iv) one or more Calculation Agent(s) where these Conditions so require, (v) such other agents as may be required by any other stock exchange on which the ECNs may be listed, in each case as approved by the Trustee and (vi) a Paying and Conversion Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000. Whenever a function expressed by the Conditions to be performed by the ACSM Calculation Agent falls to be performed, the Issuer shall appoint and (for so long as such function is required to be performed) maintain an ACSM Calculation Agent.

In addition, the Issuer shall:

- (i) forthwith appoint a Paying and Conversion Agent in New York City in respect of any Bearer ECNs denominated in U.S. dollars in the circumstances described in paragraph (c) above; and
- (ii) in the event that it or [the]*/[either]** Guarantor would be obliged to pay additional amounts on or in respect of any ECN or Coupon pursuant to Condition 12 by virtue of such ECN or Coupon being presented for payment in the United Kingdom, it will appoint and at all times thereafter maintain a Paying and Conversion Agent in a jurisdiction within Europe (other than the United Kingdom) and which otherwise complies with the foregoing provisions of this Condition 11(e).

Notice of any such change or any change of any specified office shall promptly be given to the Trustee and to the ECN Holders in accordance with Condition 19.

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

(f) Unmatured Coupons and unexchanged Talons

- (i) Upon Conversion of Bearer ECNs, all Coupons in respect thereof relating to Interest Payment Dates falling after the Conversion Date shall become void and no payment shall be made in respect of them.

- (ii) Upon the due date for redemption of any Bearer ECN, all unmatured Coupons relating to such ECN (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer ECN, any unexchanged Talon relating to such ECN (whether or not attached) shall become void and no Coupons shall be delivered in respect of such Talon.
- (iv) Where any Bearer ECNs are presented for redemption without all such unmatured Coupons, and where any Bearer ECN is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(g) Talons

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

(h) Non-Business Days

If any date for payment in respect of any ECN or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “business day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation (where presentation and surrender is required pursuant to these Conditions), in such jurisdictions (if any) as shall be specified as “Financial Centres” in the relevant Final Terms and:

- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a Bank (as defined in Condition 11(a)(iii)) in the relevant currency on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
- (ii) (in the case of a payment in euro) which is a TARGET Business Day.

(i) Suspension of ACSM

If, following any take-over offer made under the City Code on Takeovers and Mergers or any reorganisation, restructuring or scheme of arrangement, LBG ceases to be the Ultimate Owner, then LBG shall as soon as practicable give notice to the ECN Holders in accordance with Condition 19, the Trustee, the Issuing, Paying and Conversion Agent, the Calculation Agent and the ACSM Calculation Agent, whereupon the operation of the ACSM shall be suspended (such event being a “Suspension”). In such event, unless a Permitted Restructuring Arrangement shall be put in place within six months of the occurrence of a Permitted Restructuring (in which case the Suspension shall cease upon such Permitted Restructuring Arrangement being put in place), an Independent Financial Adviser shall determine (subject to the requirements that: (i) the Issuer shall not be obliged to reduce its net assets; (ii) no amendment may be proposed or made which would alter the regulatory capital treatment of the ECNs for regulatory capital and solvency purposes unless the Issuer has given at least one month’s prior written notice to, and received no objection from, the FSA (or such other period of notice as the FSA may from time to time require or accept and, in any event, provided that such notice is required to be given); and (iii) no such amendment may be made which would or may, in the Trustee’s opinion,

expose it to liability, reduce its protections or impose more onerous obligations on it without its consent) what amendments (if any) to these Conditions, the Trust Deed and any other relevant documents are appropriate in order (aa) to preserve substantially the economic effect, for the ECN Holders, of a holding of the ECNs prior to the Suspension and (bb) to replicate the ACSM in the context of the capital structure of the new Ultimate Owner. Upon any such determination being reached and notified to the Trustee and LBG by such Independent Financial Adviser, the Trustee (at the expense of the Issuer), the Issuer and LBG shall, pursuant to the terms of the Trust Deed and without any requirement for the consent or the approval of the ECN Holders or Couponholders, effect such amendments determined by such Independent Financial Adviser together with any necessary consequential changes to these Conditions and the Trust Deed and any other relevant documents, whereupon the satisfaction of any Deferred Interest Payment and Deferred Accrued Conversion Interest (when due) by the method contemplated in Condition 8 shall no longer be subject to the Suspension.

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

If the ECNs are to be substituted for, or have their terms varied so that they become, alternative Qualifying Lower Tier 2 Securities or Qualifying Upper Tier 2 Securities, the Issuer shall give not less than 30 nor more than 60 days' notice to the Trustee, the Issuing, Paying and Conversion Agent, the Calculation Agent, the ACSM Calculation Agent and, in accordance with Condition 19, the ECN Holders (which notice shall be irrevocable) and all (but not some only) of the ECNs will be substituted for, or have their terms varied so that they become, alternative Qualifying Lower Tier 2 Securities or Qualifying Upper Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph and subject to the receipt by it of the certificate of the Authorised Signatories of LBG referred to in the definition of Qualifying Lower Tier 2 Securities or (as the case may be) Qualifying Upper Tier 2 Securities and subject further to the receipt by it of the notification of the relevant Independent Financial Adviser referred to above) agree to such substitution or variation. In connection therewith, all accrued and unpaid interest, Deferred Interest Payments and Deferred Accrued Conversion Interest (if any) will either (at the option of LBG) (x) be carried over such that the rights of the ECN Holders with respect thereto are preserved in the new Qualifying Lower Tier 2 Securities or Qualifying Upper Tier 2 Securities or (y) be satisfied by the issue of Ordinary Shares to the new Ultimate Owner in consideration for which the new Ultimate Owner shall issue ordinary shares in its capital (or shares in its capital of an equivalent class) so as to enable the satisfaction of such accrued and unpaid interest, Deferred Interest Payments and Deferred Accrued Conversion Interest in accordance, *mutatis mutandis*, with Conditions 8(b), 8(c), 8(d) and 8(e) (with references to the relevant Payment LBG Shares being construed as references to such ordinary shares or equivalent shares in the capital of the new Ultimate Owner which, when sold, provide a net cash amount of not less than the amount of such accrued and unpaid interest, Deferred Interest Payments and Deferred Accrued Conversion Interest which fall to be satisfied by the Issuer). The Trustee shall (at the expense of the

Issuer) use its reasonable endeavours to participate in or assist the Issuer and LBG with the substitution of the ECNs for, or the variation of the terms of the ECNs so that they become, alternative Qualifying Lower Tier 2 Securities or Qualifying Upper Tier 2 Securities, provided that the Trustee shall not be obliged to participate in or assist with any such substitution or variation if the terms of the proposed alternative Qualifying Lower Tier 2 Securities or Qualifying Upper Tier 2 Securities or the participation in or assistance with such substitution or variation would impose, in the Trustee's opinion, more onerous obligations upon it or expose it to liability or reduce its protections. If, notwithstanding the above, the Trustee does not participate or assist as provided above, the FSA does not consent to such substitution or variation or it is otherwise not practicable (in the opinion of the Issuer) for the ECNs to be substituted or varied as described above, the Issuer may, subject to Conditions 5(a) and 10(b), elect to redeem the ECNs as provided in this Condition 11(i). In connection with any substitution or variation in accordance with this Condition 11(i), the Issuer shall comply with the rules of any stock exchange on which the ECNs are for the time being listed or admitted to trading.

If the ECNs are to be redeemed by the Issuer in accordance with this Condition 11(i), the Issuer shall give notice thereof to the Trustee, the Issuing, Paying and Conversion Agent, the Calculation Agent, and the ACSM Calculation Agent and, in accordance with Condition 19, the ECN Holders (which notice shall be irrevocable and which shall expire as soon as practicable after consent from the FSA has been obtained) and all (but not some only) of the ECNs will be redeemed at their principal amount, together in each case with accrued and unpaid interest to (but excluding) such redemption date and any outstanding and unsatisfied Deferred Interest Payments and Deferred Accrued Conversion Interest, not later than the 60th London business day following the giving of such notice by the Issuer to the ECN Holders. Such redemption will, unless otherwise agreed by LBG, be effected by the issue of Ordinary Shares to the new Ultimate Owner in consideration for which the new Ultimate Owner shall issue ordinary shares in its capital (or shares in its capital of an equivalent class) so as to enable it to satisfy such redemption amount in accordance, *mutatis mutandis*, with Condition 8 (with references to the Payment LBG Shares being construed as references to such ordinary shares or equivalent shares in the capital of the new Ultimate Owner which, when sold, provide a net cash amount of not less than the redemption amount which falls to be satisfied by the Issuer).

12. Taxation

All payments of principal, premium (if any) and/or interest to ECN Holders and Couponholders by or on behalf of the Issuer in respect of the ECNs and the Coupons or by or on behalf of [the]*/[either]** Guarantor under the Guarantee shall be made without withholding or deduction for or on account of any present or future tax, duty, assessment or governmental charge of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, [the]*/[the relevant]** Guarantor shall pay such additional amounts ("Additional Amounts") as will result (after such withholding or deduction) in receipt by the ECN Holders and the Couponholders of the sums which would have been receivable (in the absence of such withholding or deduction) from it in respect of their ECNs and/or Coupons, as the case may be; except that no such Additional Amounts shall be payable with respect to any ECN or Coupon:

- (a) (where presentation and surrender is required pursuant to these Conditions) presented for payment by or on behalf of any holder who is liable to such tax, duty, assessment or governmental charge in respect of such ECN or Coupon by reason of such holder having some connection with the United Kingdom other than the mere holding of such ECN or Coupon; or

- (b) to, or to a third party on behalf of, a holder if such withholding or deduction may be avoided by complying with any statutory requirement or by making a declaration of non residence or other similar claim for exemption to any authority of or in the United Kingdom, unless such holder proves that he is not entitled so to comply or to make such declaration or claim; or
- (c) to, or to a third party on behalf of, a holder that is a partnership, or a holder that is not the sole beneficial owner of the ECN or Coupon, or which holds the ECN or Coupon in a fiduciary capacity, to the extent that any of the members of the partnership, the beneficial owner or the settlor or beneficiary with respect to the fiduciary would not have been entitled to the payment of an additional amount had each of the members of the partnership, the beneficial owner, settlor or beneficiary (as the case may be) received directly his beneficial or distributive share of the payment; or
- (d) (where presentation and surrender is required pursuant to these Conditions) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment at the expiry of such period of 30 days; or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (f) (where presentation and surrender is required pursuant to these Conditions) in respect of any ECN or Coupon presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant ECN or Coupon to another Paying and Conversion Agent in a member state of the European Union.

13. Prescription

Claims against the Issuer and/or [the]*/[either]** Guarantor for payment in respect of the ECNs and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

14. Events of Default

Notwithstanding any of the provisions below in Condition 14, the right to institute winding-up proceedings is limited to circumstances where payment has become due.

Except where Condition 3(b) or 4(b) applies, no principal, premium, interest or any other amount under the ECNs will be due unless the conditions to payment set out in Condition 5(a) are satisfied. Also, in the case of any payment of interest which is scheduled to be paid on any Interest Payment Date or of any Accrued Conversion Interest scheduled to be paid on the Conversion Date, such payment will not be due if that payment has been deferred pursuant to Condition 7.

The Trust Deed contains provisions entitling the Trustee to claim from the Issuer and [the]/[each]** Guarantor, inter alia, the fees, expenses and liabilities incurred by it in carrying out its duties under the Trust Deed. The restrictions on commencing proceedings described below will not apply to any such claim.*

(a) Events of Default

If any of the following events occurs, the Trustee at its discretion may, and if so requested by holders of at least one-quarter in principal amount of the ECNs then outstanding or if so directed by an Extraordinary Resolution shall (but in each case subject to Condition 14(d) below), give notice to the

Issuer that the ECNs are, and they shall immediately become, due and payable at their principal amount together with any accrued and unpaid interest and outstanding and unsatisfied Deferred Interest Payments:

- (i) default is made for a period of seven days or more in the payment of any principal or premium (if any) or 14 days or more in the payment of any interest due in respect of the ECNs or any of them; or
- (ii) an order is made or a resolution is passed for the winding-up of the Issuer or [the]*/[either]** Guarantor (other than a winding-up which has been approved previously in writing by the Trustee or by an Extraordinary Resolution of the ECN Holders).

(b) Proceedings for Winding-up

If the ECNs become due and payable (whether pursuant to Condition 14(a) or Condition 10) and are not paid when so due and payable or any other payment obligation of the Issuer or [the Guarantor]*/[the Guarantors]** under or arising in respect of the ECNs, the Coupons or the Trust Deed is not duly met, satisfied or performed (including pursuant to Condition 9(c)), the Trustee at its discretion may, and if so requested by holders of at least one-quarter in principal amount of the ECNs then outstanding or if so directed by an Extraordinary Resolution shall (but in each case subject to Condition 14(d) below), institute proceedings for the winding-up of the Issuer and/or [the Guarantor]*/[the relevant Guarantor or Guarantors]** and/or prove in the winding-up of the Issuer and/or [the Guarantor]*/[the relevant Guarantor or Guarantors]** and/or claim in the liquidation of the Issuer and/or [the Guarantor]*/[the relevant Guarantor or Guarantors]** for such payment (subject to Condition 3(b) or 4(b), as the case may be), provided, however, that the Trustee may only take any such action on or after the failure by the Issuer and/or [the Guarantor]*/[the relevant Guarantor or Guarantors]** to make payments as described in this Condition 14(b), but may take no further or other action to enforce, prove or claim for any such payment. No payment in respect of the ECNs, the Coupons or the Trust Deed may be made by the Issuer or [the]*/[either]** Guarantor pursuant to Condition 14(a), nor will the Trustee accept the same, otherwise than during or after a winding-up or liquidation of the Issuer or, as appropriate, [the Guarantor]*/[the relevant Guarantor or Guarantors]**, unless the Issuer or, as appropriate, [the Guarantor]*/[the relevant Guarantor]** has given prior written notice (with a copy to the Trustee) to, and received no objection from, the FSA which the Issuer or, as appropriate, [the Guarantor]*/[the relevant Guarantor]** shall confirm in writing to the Trustee.

(c) Enforcement

Without prejudice to Condition 14(a), the Trustee may, at its discretion, and without notice institute such proceedings against the Issuer and/or [the]*/[a]** Guarantor as it may think fit to enforce any term or condition binding on the Issuer or, as appropriate, [the]*/[such]** Guarantor under the Trust Deed, the ECNs or the Coupons (other than any payment obligation of the Issuer or [the]*/[such]** Guarantor under or arising from the ECNs, the Coupons or the Trust Deed, including, without limitation, payment of any principal or premium or interest in respect of the ECNs or the Coupons, including any damages awarded for breach of any obligations) and in no event shall the Issuer or [the]*/[such]** Guarantor, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it pursuant to these Conditions and the Trust Deed. Nothing in this Condition 14(c) shall, however, prevent the Trustee instituting proceedings for the winding-up of the Issuer and/or [the]*/[either]** Guarantor, proving in any winding-up of the Issuer and/or [the]*/[either]** Guarantor and/or claiming in any liquidation of the Issuer and/or [the]*/[either]** Guarantor in respect of any payment

obligations of the Issuer or [the]*/[the relevant]** Guarantor arising from or in respect of the ECNs, the Coupons or the Trust Deed (including any damages awarded for breach of any obligations).

(d) Entitlement of Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 14(a), (b) or (c) above against the Issuer or [the]*/[a]** Guarantor to enforce the terms of the Trust Deed, the ECNs or the Coupons or any other action under or pursuant to the Trust Deed unless (i) it shall have been so requested by an Extraordinary Resolution of the ECN Holders or in writing by the holders of at least one-quarter in principal amount of the ECNs then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(e) Right of ECN Holders

No ECN Holder or Couponholder shall be entitled to proceed directly against the Issuer or [the]*/[a]** Guarantor or to institute proceedings for the winding-up or claim in the liquidation of the Issuer or [the]*/[a]** Guarantor or to prove in such winding-up unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing, in which case the ECN Holder or Couponholder shall have only such rights against the Issuer and [the]*/[the relevant]** Guarantor as those which the Trustee is entitled to exercise as set out in this Condition 14.

(f) Extent of ECN Holder's remedy

No remedy against the Issuer or [the]*/[a]** Guarantor, other than as referred to in this Condition 14, shall be available to the Trustee or the ECN Holders or Couponholders, whether for the recovery of amounts owing in respect of the ECNs or under the Trust Deed or in respect of any breach by the Issuer or [the]*/[a]** Guarantor of any of its other obligations under or in respect of the ECNs, Coupons or under the Trust Deed.

(g) Deed Poll

Nothing in this Condition shall affect the rights of any ECN Holder to enforce its rights under the Deed Poll, subject to and as provided in the Deed Poll.

15. Meetings of ECN Holders, Modification, Waiver and Substitution

(a) Meetings of ECN Holders

The Trust Deed contains provisions for convening meetings of ECN Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the Deed Poll or the ACSM Calculation Agency Agreement (if any). Such a meeting may be convened by holders holding not less than 10 per cent. in aggregate principal amount of the ECNs for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in aggregate principal amount of the ECNs for the time being outstanding, or at any adjourned meeting two or more persons being or representing ECN Holders whatever the aggregate principal amount of the ECNs held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the ECNs or any date for payment of interest on the ECNs, (ii) to reduce or cancel the principal amount of, or any premium payable on redemption of, the ECNs, (iii) to reduce the rate or rates of interest in respect of the ECNs or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating the amounts of any interest in respect of the ECNs, (iv) to vary any method of, or basis for, calculating the amounts payable on redemption of the ECNs, (v) to

vary the currency or currencies of payment or denomination of the ECNs, (vi) to modify the provisions concerning the quorum required at any meeting of ECN Holders or the majority required to pass the Extraordinary Resolution, (vii) to modify or cancel the Guarantee [in respect of either Guarantor]** or (viii) to amend or modify the Deed Poll (but without prejudice to the power of LBG to modify or amend the Deed Poll as set out therein), in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the ECNs for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on ECN Holders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

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

No modification to these Conditions or any other provisions of the Trust Deed (whether pursuant to this Condition 15 or otherwise) shall become effective unless the Issuer shall have given at least one month's prior written notice to, and received no objection from, the FSA (or such other period of notice as the FSA may from time to time require or accept and, in any event, provided that there is a requirement to give such notice).

(b) Modification

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

The Trustee will have no power to agree to any modification of the Deed Poll on behalf of the ECN Holders.

(c) Exempt Newco Scheme

In the event of an Exempt Newco Scheme, the Issuer may, in relation to ECNs in respect of which LBG is the Guarantor or a Guarantor, but subject as provided in Condition 15(d) and the Trust Deed, without the consent of ECN Holders or the Couponholders, at its option, procure that Newco is substituted under such ECNs as Guarantor (jointly and severally with LTSB if LTSB is also a Guarantor in respect of such ECNs) in place of LBG.

(d) Substitution

The Trust Deed contains provisions (in the case of (i) below) requiring the Trustee and (in the case of (ii) below) permitting the Trustee, subject to the Issuer giving at least one month's notice to, and receiving no objection from, the FSA (or such shorter period of notice as the FSA may from time to time require or accept and so long as there is a requirement to give such notice), to agree, without the consent of the ECN Holders or the Couponholders, to (i) any substitution as provided in and for the

purposes of Condition 15(c); or (ii) the substitution of the Issuer's successor in business in place of the Issuer, or of any previously substituted company, as principal debtor under the Trust Deed and the ECNs, subject to (in the case of (ii) only) the Trustee being of the opinion that such substitution will not be materially prejudicial to the interests of the ECN Holders and subject to (in the case of (i) and (ii)) certain other conditions set out in the Trust Deed being complied with. In the case of such a substitution, the Trustee may agree, without the consent of the ECN Holders or the Couponholders, to a change of the law governing the ECNs, the Coupons, the Talons and/or the Trust Deed, provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the ECN Holders.

(e) Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the ECN Holders as a class and shall not have regard to the consequences of such exercise for individual ECN Holders or Couponholders and the Trustee shall not be entitled to require, nor shall any ECN Holder or Couponholder be entitled to claim, from the Issuer or [the]*/[either]** Guarantor any indemnification or payment in respect of any tax consequence of any such exercise upon individual ECN Holders or Couponholders.

16. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer, [the]*/[either]** Guarantor and any entity related to the Issuer or [the]*/[either]** Guarantor without accounting for any profit.

The Trustee may rely without liability to ECN Holders or Couponholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, [the]*/[each]** Guarantor, the Trustee and the ECN Holders.

17. Replacement of ECNs, Certificates, Coupons and Talons

If an ECN, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing, Paying and Conversion Agent (in the case of Bearer ECNs, Coupons or Talons) or of the Registrar (in the case of Certificates), or, in any such case, such other Paying and Conversion Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to ECN Holders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed ECN, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such ECNs, Certificates, Coupons or further Coupons) and otherwise as the Issuer may reasonably require. Mutilated or defaced ECNs, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

18. Further Issues

The Issuer may, from time to time, without the consent of the ECN Holders or Couponholders, create and issue further securities either having the same terms and conditions as the ECNs in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the ECNs) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the ECNs include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the ECNs. The Trust Deed contains provisions for convening a single meeting of the ECN Holders and the holders of securities of other series where the Trustee so decides.

19. Notices

Notices to ECN Holders shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). If, in the opinion of the Trustee, any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of ECNs in accordance with this Condition 19.

20. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the ECNs under the Contracts (Rights of Third Parties) Act 1999.

21. Definitions

“2004 Preference Shares” means (i) where LBG is the Guarantor, the 400 6 per cent. Non-Cumulative Redeemable Preference Shares of £0.25 nominal value each in the share capital of LBG issued in December 2004; (ii) where LTSB is the Guarantor, the 100 6 per cent. Non-Cumulative Redeemable Preference Shares of £1.00 nominal value each in the share capital of LTSB issued in December 2004; or (iii) where LBG and LTSB are Guarantors, the 400 6 per cent. Non-Cumulative Redeemable Preference Shares of £0.25 nominal value each in the share capital of LBG issued in December 2004 and the 100 6 per cent. Non-Cumulative Redeemable Preference Shares of £1.00 nominal value each in the share capital of LTSB issued in December 2004;

“Accrued Conversion Interest” means, in the case of the Conversion of the ECNs, interest accrued on the ECNs from (and including) the Interest Payment Date immediately preceding the Conversion Date (or, if none, from the Interest Commencement Date) to (but excluding) the Conversion Date;

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

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

“ACSM Payment Date” means the date on which any Deferred Interest Payment or Deferred Accrued Conversion Interest is due to be satisfied pursuant to Condition 8, provided that where the provisions of Condition 8(e) cause a Deferred Interest Payment or Deferred Accrued Conversion Interest to be deferred, references therein to “ACSM Payment Date” shall be to the date on which such Deferred Interest Payment or Deferred Accrued Conversion Interest would otherwise have been due to be satisfied had such Deferred Interest Payment or Deferred Accrued Conversion Interest not been deferred pursuant to Condition 8(e);

“Alternative Coupon Satisfaction Mechanism” or “ACSM” means the mechanism described in Condition 8;

“Assets” means the unconsolidated gross assets of [the]/[the relevant]** Guarantor as shown in the latest published audited balance sheet of [the]/[such]** Guarantor but adjusted for subsequent events in such manner as the directors of [the]/[the relevant]** Guarantor or, if [the]/[such]** Guarantor is in a winding-up or administration, its liquidator or administrator may determine;

“Authorised Signatory” means a director or the company secretary of the Issuer or LBG or [the]/[the relevant]** Guarantor, as the case may be;

“Capital Breach Event” means the occurrence of a breach by [the]/[a]** Guarantor or the LBG Group or any member of the LBG Group of the United Kingdom capital adequacy requirements, guidelines or measures or any other regulatory capital requirements, guidelines or measures applicable to [the]/[such]** Guarantor or the LBG Group or any member of the LBG Group, as the case may be (whether or not such requirements, guidelines or measures have the force of law and whether they are applied generally or specifically to [the]/[a]** Guarantor or the LBG Group or any member of the LBG Group, as the case may be);

a “Capital Disqualification Event” is deemed to have occurred (1) if, at any time LBG or, where LTSB is a or the Guarantor, LTSB is required under Regulatory Capital Requirements to have regulatory capital, the ECNs would no longer be eligible to qualify in whole or in part (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) for inclusion in the Upper Tier 2 Capital of LBG or, as the case may be, LTSB on a consolidated basis; or (2) if as a result of any changes to the Regulatory Capital Requirements or any change in the interpretation or application thereof by the FSA, the ECNs shall cease to be taken into account in whole or in part (save where this is only as a result of any applicable limitation on the amount that may be so taken into account) for the purposes of any “stress test” applied by the FSA in respect of the Consolidated Core Tier 1 Ratio;

“Capital Disqualification Event Redemption Price” means the price specified as such in the relevant Final Terms, which may be either the principal amount of the ECNs or the Make Whole Redemption Price;

“Conversion” means the conversion of the ECNs into Ordinary Shares pursuant to these Conditions and the Deed Poll, and “convert” and “converted” shall be construed accordingly;

“Conversion Notice” means a notice in the form for the time being currently available from the specified office of any Paying and Conversion Agent and which is required to be delivered in connection with a Conversion of the ECNs;

“Core Tier 1 Capital” means core tier one capital as defined by the FSA as in effect and applied (as supplemented by any published statement or guidance given by the FSA) as at 1 May 2009;

“Deferred Accrued Conversion Interest” means (i) any payment of any Accrued Conversion Interest which is otherwise due to be paid on the Conversion Date which, pursuant to Condition 7(a), [the]/[a]** Guarantor has procured the Issuer to elect to defer and which has not been satisfied and (ii) any Accrued Conversion Interest which is otherwise due to be paid on the Conversion Date which, by reason of the conditions to payment set out in Condition 5(a), has not been satisfied, and in any such case shall, if it is provided in the

relevant Final Terms that interest shall accrue on any such Deferred Accrued Conversion Interest, include any such interest;

“Deferred Interest Payment” means (i) any payment of interest which is otherwise due to be paid on any Interest Payment Date which, pursuant to Condition 7(a), [the]*/[a]** Guarantor has procured the Issuer to elect to defer and which has not been satisfied and (ii) any payment of interest which is otherwise due to be paid on any Interest Payment Date which, by reason of the conditions to payment set out in Condition 5(a), has not been satisfied, and in any such case shall, if it is provided in the relevant Final Terms that interest shall accrue on any such Deferred Interest Payment, include any such interest;

“ECN Holder” means the bearer of any Bearer ECN or the person in whose name a Registered ECN is registered (as the case may be) and “holder” (in relation to an ECN, Coupon or Talon) means the bearer of any Bearer ECN, Coupon or Talon or the person in whose name a Registered ECN is registered (as the case may be);

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

“Extraordinary Resolution” has the meaning given to it in the Trust Deed;

“Guarantor Senior Creditors” means, in respect of [the]*/[a]** Guarantor, (a) creditors of [the]*/[such]** Guarantor whose claims are admitted to proof in the winding-up or administration of [the]*/[such]** Guarantor and who are unsubordinated creditors of [the]*/[such]** Guarantor; and (b) creditors of [the]*/[such]** Guarantor whose claims relate to obligations which constitute, or would but for any applicable limitation on the amount of such capital constitute, Lower Tier 2 Capital of [the]*/[such]** Guarantor on a solo and/or consolidated basis and other creditors of [the]*/[such]** Guarantor whose claims are or are expressed to be subordinated to the claims of other creditors of [the]*/[such]** Guarantor (other than those whose claims relate to obligations which constitute, or would, but for any applicable limitation on the amount of such capital, constitute, Tier 1 Capital or Upper Tier 2 Capital of [the]*/[such]** Guarantor on a solo and/or consolidated basis, or whose claims rank or are expressed to rank *pari passu* with, or junior to, the claims of ECN Holders);

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

“Issuer Senior Creditors” means creditors of the Issuer whose claims are admitted to proof in the winding-up or administration of the Issuer and (a) who are unsubordinated creditors of the Issuer or (b) who are creditors of the Issuer in respect of subordinated obligations, other than undated or perpetual subordinated obligations;

“Junior Securities” means any class of the Issuer’s or [the]*/[a]** Guarantor’s share capital together with any other securities or obligations of the Issuer, [the]*/[such]** Guarantor or any other member of the LBG Group ranking, or expressed to rank, junior to the ECNs or, as the case may be, the Guarantee (either issued or incurred directly by the Issuer or [the]*/[such]** Guarantor or by a subsidiary undertaking of [the]*/[such]** Guarantor and which benefit from a guarantee or support agreement ranking, or expressed to rank, junior to the ECNs or, as the case may be, the Guarantee);

“Liabilities” means the unconsolidated gross liabilities of [the]*/[the relevant]** Guarantor as shown in the latest published audited balance sheet of [the]*/[such]** Guarantor but adjusted for contingent liabilities and for subsequent events in such manner as the Directors of [the]*/[the relevant]** Guarantor or, if [the]*/[such]** Guarantor is in a winding-up or administration, its liquidator or administrator, may determine;

“Lower Tier 2 Capital” has the meaning given to it by the FSA from time to time;

“Make Whole Redemption Price” means:

- (i) in respect of an ECN denominated in pounds sterling, (a) the principal amount of such ECN or, if this is higher, (b) the price, expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards), at which the Gross Redemption Yield on an ECN in a principal amount equal to the principal amount of such ECN on the Reference Date (assuming for this purpose that the ECNs are to be redeemed at their principal amount on the first Optional Redemption Date specified in the relevant Final Terms) is equal to the aggregate of (i) the Gross Redemption Yield (determined by reference to the middle market price) at or about 12.00 hours (London time) on the Reference Date of the Reference Bond plus (ii) the Make Whole Margin specified in the relevant Final Terms, all as determined by the Calculation Agent. For the purposes of this definition of Make Whole Redemption Price:

“Gross Redemption Yield” means, with respect to a security, the gross redemption yield on such security (as calculated by the Calculation Agent on the basis set out in the United Kingdom Debt Management Office in the paper “Formulae for Calculating Gilt Prices from Yields” page 4, Section One: Price/Yield Formulae “Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date” (published on 8 June 1998 and updated on 15 January 2002 and as further updated or amended) on a semi-annual compounding basis (converted on an annualised yield and rounded up (if necessary) to four decimal places));

“Reference Bond” means the Make Whole Reference Security specified in the relevant Final Terms, or if such stock is no longer in issue such other United Kingdom government stock with a maturity date as near as possible to the first Optional Redemption Date specified in the relevant Final Terms, as the Calculation Agent may, with the advice of the Reference Market Makers, determine to be appropriate by way of substitution for the Make Whole Reference Security specified in the relevant Final Terms;

“Reference Date” means the date which is three London business days prior to the due date for redemption pursuant to Condition 10(d) or, as appropriate, Condition 10(e); and

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

- (ii) in respect of an ECN denominated in U.S. dollars, (a) the principal amount of such ECN or, if this is higher (b) the amount equal to the sum of the present value of the principal amount of such ECN, together with the present values of the scheduled Interest Payments from the relevant date fixed for redemption to the first Optional Redemption Date specified in the relevant Final Terms in each case, discounted to such redemption date on a semi-annual compounded basis at the adjusted U.S. Treasury Rate plus the Make Whole Margin specified in the relevant Final Terms, all as determined by the Calculation Agent. For the purposes hereof, “U.S. Treasury Rate” means either (i) the rate per annum equal to the yield, under the heading that represents the average for the week immediately preceding the third New York business day prior to the relevant redemption date, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities” for the maturity corresponding to the Comparable Treasury Issue or (if no maturity is within three months before or after the first Optional Redemption Date specified in the relevant Final Terms yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the U.S. Treasury Rate shall be interpolated or

extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the third New York business day prior to the relevant date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) calculated on the basis of the Comparable Treasury Price for the relevant date fixed for redemption, in each case calculated on the third Business Day immediately preceding the relevant date fixed for redemption. For the purposes of this definition of Make Whole Redemption Price:

“Comparable Treasury Issue” means the United States Treasury selected by the Calculation Agent as having a maturity comparable to the remaining term of the ECNs from the relevant date fixed for redemption to the first Optional Redemption Date specified in the relevant Final Terms that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to the first Optional Redemption Date specified in the relevant Final Terms;

“Comparable Treasury Price” means, with respect to any redemption date, the average of three, or such lesser number as is obtained by the Calculation Agent, Reference Treasury Dealer Quotations for the relevant date fixed for redemption of the ECNs;

“Reference Treasury Dealer” means each of the three nationally recognised firms selected by the Calculation Agent that are primary U.S. Government securities dealers;

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any date fixed for redemption of the ECNs, the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Calculation Agent by such Reference Treasury Dealer at 5.00 p.m., New York City time on the third New York business day immediately preceding such due date for redemption;

- (iii) in respect of an ECN denominated in euro, (a) the principal amount of such ECN or, if this is higher, (b) the price, expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards), at which the annual yield to redemption on an ECN in the principal amount equal to the principal amount of such ECN on the Reference Date (assuming for this purpose that the ECNs are to be redeemed at their principal amount on the first Optional Redemption Date specified in the relevant Final Terms) is equal to the aggregate of (i) the Reference Bond Yield (determined by reference to the middle market price) at 11.00 a.m. (Brussels time) on the Reference Date of the Reference Bond plus (ii) the Make Whole Margin specified in the relevant Final Terms, all as determined by the Calculation Agent. For the purposes of the definition of Make Whole Redemption Price:

“Primary Bond Dealer” means any credit institution or financial services institution that regularly deals in bonds and other debt securities;

“Reference Bond” means the Make Whole Reference Security specified in the relevant Final Terms or if such security is no longer issued such other European government bond or German Bundesobligationen with a maturity date as near as possible to the first Optional Redemption Date specified in the relevant Final Terms as the Calculation Agent may, with the advice of the Reference Bond Dealers and in consultation with the Issuer, determine to be appropriate by way of substitution for the Make Whole Margin Reference Security specified in the relevant Final Terms;

“Reference Bond Dealer” means either the Calculation Agent or any other Primary Bond Dealer selected by the Calculation Agent after consultation with the Issuer and approved for this purpose by the Trustee;

“Reference Bond Dealer Quotations” means the average, as determined by the Calculation Agent, of the bid and ask prices for the Reference Bond (expressed in each case as a percentage of its principal amount) quoted in writing to the Calculation Agent by such Reference Bond Dealer at 11.00 a.m. (Brussels time) on the Reference Date;

“Reference Bond Price” means (i) the average of five Reference Bond Dealer Quotations, after excluding the highest and lowest such Reference Bond Dealer Quotations, or (ii) if the Calculation Agent obtains fewer than five such Reference Bond Dealer Quotations, the average of all such Reference Bond Dealer Quotations;

“Reference Bond Yield” means the rate per annum equal to the annual yield to maturity of the Reference Bond, assuming a price equal to the Reference Bond Price for the Reference Date; and

“Reference Date” means the date which is three TARGET Business Days prior to the due date for redemption pursuant to Condition 10(d), or, as appropriate, Condition 10(e) by the Issuer; and

- (iv) in respect of an ECN denominated in any other currency, at the Make Whole Redemption Price specified in, or determined in the manner specified in, the relevant Final Terms;

“Market” means the London Stock Exchange’s EEA Regulated Market;

“Market Disruption Event” means (i) the occurrence or existence of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the London Stock Exchange or otherwise) or on settlement procedures for transactions in the Ordinary Shares on the London Stock Exchange if, in any such case, the ACSM Calculation Agent has confirmed to LBG that the suspension or limitation is material in the context of the issue and/or sale of the Payment LBG Shares, or (ii) in the reasonable opinion of LBG there has been a substantial deterioration in the price and/or value of the Ordinary Shares or circumstances are such so as to prevent or to a material extent restrict the issue, allotment, sale, delivery or listing of the Payment LBG Shares, as the case may be (as conclusively evidenced to the Trustee in a certificate to such effect signed by two Authorised Signatories of LBG);

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

“outstanding” has the meaning given to it in the Trust Deed;

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

“Permitted Restructuring Arrangement” means, in relation to a Permitted Restructuring, an arrangement whereby the following conditions are satisfied: (a) the execution of a trust deed supplemental to the Trust Deed and/or such other documentation as may be necessary to ensure that (i) the ACSM, the Trust Deed and any ACSM Calculation Agency Agreement operates so that Ordinary Shares may be exchanged for Holding Company Shares in such a manner that ensures that upon the sale of such Holding Company Shares the holder of each ECN then outstanding will receive, in the event of a payment to be satisfied pursuant to Condition 8, an amount not less than that which would have been receivable had such a Permitted Restructuring not taken place and (ii) the economic effect, for the ECN Holders, of a holding of the ECNs prior to the Permitted Restructuring is substantially preserved (but without having regard to the provisions regarding Conversion pursuant to the Deed Poll); and (b) the Trustee is satisfied that the credit ratings that would be assigned to the ECNs by Fitch Ratings Limited, Moody’s Investors Service, Inc. or Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies, Inc. following any such Permitted Restructuring, shall not be lower than those assigned to the ECNs immediately prior to such Permitted Restructuring taking place as confirmed by such rating agency in writing;

“Qualifying Lower Tier 2 Securities” means securities issued directly or indirectly by [the]*/[a]** Guarantor that:

- (a) have terms not materially less favourable to an investor than the terms of the ECNs (as reasonably determined by LBG, and provided that a certification to such effect of two Authorised Signatories of LBG shall have been delivered to the Trustee prior to the issue of the relevant securities, which shall be conclusive and binding on the Trustee and the ECN Holders), provided that (1) they shall contain terms which comply with the then current requirements of the FSA in relation to Lower Tier 2 Capital; (2) they shall include terms which provide for the same Rate of Interest from time to time applying to the ECNs; (3) they shall rank senior to or *pari passu* with the ECNs; (4) they shall benefit from an unconditional and irrevocable guarantee (substantially on the same terms as provided in Condition 4) by [the]*/[each]** Guarantor unless issued directly by [the]*/[such]** Guarantor; and (5) such securities shall preserve any existing rights under these Conditions to any accrued interest which has not been satisfied;
- (b) are (i) listed on the Official List and admitted to trading on the Market or (ii) listed on such other stock exchange as is a Recognised Stock Exchange at that time as determined by LBG; and
- (c) have the same regulatory capital treatment for contingent Core Tier 1 Capital as the ECNs;

“Qualifying Upper Tier 2 Securities” means securities issued directly or indirectly by [the]*/[a]** Guarantor that:

- (a) have terms not materially less favourable to an investor than the terms of the ECNs (as reasonably determined by LBG, and provided that a certification to such effect of two Authorised Signatories of LBG shall have been delivered to the Trustee prior to the issue of the relevant securities, which shall be conclusive and binding on the Trustee and the ECN Holders), provided that (1) they shall contain terms which comply with the then current requirements of the FSA in relation to Upper Tier 2 Capital; (2) they shall include terms which provide for the same Rate of Interest from time to time applying to the ECNs; (3) they shall rank senior to, or *pari passu* with the ECNs; (4) they shall benefit from an unconditional and irrevocable guarantee (substantially on the same terms as provided in Condition 4) by [the]*/[each]** Guarantor unless issued directly by [the]*/[such]** Guarantor; and (5) such securities shall preserve any existing rights under these Conditions to any accrued interest which has not been satisfied;
- (b) are (i) listed on the Official List and admitted to trading on the Market or (ii) listed on such other stock exchange as is a Recognised Stock Exchange at that time as selected by LBG; and

(c) have the same regulatory capital treatment for contingent Core Tier 1 Capital as the ECNs;

“Regulatory Capital Requirements” means any applicable requirement specified by the FSA in relation to minimum margin of solvency or minimum capital resources or capital;

“Relevant Date” means, in respect of any payment on any ECN or Coupon, the date on which such payment first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount required to be paid is made or, in the case of a Bearer ECN or otherwise where presentation is required pursuant to these Conditions, (if earlier) the date seven days after that on which notice is duly given to the ECN Holders that, upon further presentation of the ECN (or relative Certificate) or Coupon being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation;

“subsidiary undertaking” has the meaning provided in Section 1162 of the Companies Act;

“successor in business” has the meaning given to it in the Trust Deed;

a “Tax Event” is deemed to have occurred if:

- (i) as a result of a Tax Law Change, in making any payments on the ECNs, the Issuer (or, if the Guarantee were called, [the]/[either]** Guarantor) has paid or will or would on the next payment date be required to pay Additional Amounts and the Issuer (or the [relevant]** Guarantor, as the case may be) cannot avoid the foregoing by taking measures reasonably available to it; or
- (ii) as a result of a Tax Law Change, (x) the Issuer (or, if the Guarantee were called, the [relevant]** Guarantor, as the case may be) would not, or there is more than an insubstantial risk that the Issuer or, as the case may be, [the]/[such]** Guarantor would not be entitled to a deduction in computing its taxation liabilities in the United Kingdom in respect of all or any part of its financing expense as recognised for accounting purposes in relation to the ECNs or the Guarantee, as the case may be or; (y) the Issuer (or the [relevant]** Guarantor, as the case may be) would not be entitled to have all or any part of any loss resulting from such deduction being taken into account in computing its taxation liabilities set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the Issue Date or any similar system or systems having like effect as may from time to time exist) and in each such case the Issuer (or the [relevant]** Guarantor, as the case may be) could not avoid the foregoing in connection with the ECNs by taking measures reasonably available to it;

“Tax Event Redemption Price” means the price specified as such in the relevant Final Terms, which may be either the principal amount of the ECNs or the Make Whole Redemption Price;

“Tax Law Change” means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom, or any political subdivision or authority therein or thereof, having the power to tax, including any treaty to which the United Kingdom is a party, or any change in any generally published application or interpretation of such laws, including a decision of any court or tribunal, or any change in the generally published application or interpretation of such laws by any relevant tax authority or any generally published pronouncement by any tax authority which change, amendment or pronouncement (x) (subject to (y)) becomes, or would become, effective on or after the Issue Date, or (y) in the case of a change or proposed change in law, if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by United Kingdom Act of Parliament or by Statutory Instrument, on or after the issue of the first Tranche of the ECNs;

“Tier 1 Capital” has the meaning given to it by the FSA from time to time;

“Ultimate Owner” means, at any given time, the ultimate holding company of the LBG Group at that time; and

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

References in these Conditions to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such statutory modification or re-enactment.

Unless the context otherwise requires, references in these Conditions to (i) “principal” shall be deemed to include any premium payable in respect of the ECNs and all other amounts in the nature of principal payable pursuant to these Conditions or any amendment or supplement to it, (ii) “interest” shall be deemed to include any Deferred Interest Payment, any Accrued Conversion Interest and any Deferred Accrued Conversion Interest and in any such case shall be deemed to include any Additional Amounts that may be payable under Condition 12 or any undertaking given in addition to or in substitution for it under the Trust Deed in respect of any such amount.

22. Governing Law and Jurisdiction

(a) Governing Law

The Trust Deed, the Deed Poll, the Agency Agreement, the ACSM Calculation Agency Agreement (if any), the ECNs, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law save that, where LBG is [the]*/[a]** Guarantor, the provisions of Condition 4 (and related provisions of the Trust Deed) relating to the status and subordination of the Guarantee as they apply to LBG are governed by, and shall be construed in accordance with, Scots law.

(b) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed, the Deed Poll, the Agency Agreement, the ACSM Calculation Agency Agreement (if any), any ECNs, Coupons or Talons or the Guarantee and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Deed Poll, the Agency Agreement, the ACSM Calculation Agency Agreement (if any) or any ECNs, Coupons or Talons or the Guarantee (“Proceedings”) may be brought in such courts. Each of the Issuer and [the]*/[each]** Guarantor has in the Trust Deed irrevocably submitted to the jurisdiction of the courts of England in respect of any such Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE ECNs WHILE IN GLOBAL FORM

1. Initial Issue of ECNs

Upon the initial deposit of a Global Note with a common depository for Euroclear and Clearstream, Luxembourg (the “Common Depository”) or registration of Registered ECNs in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a principal amount of ECNs equal to the principal amount thereof to which it is entitled.

2. Exchange

2.1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined in paragraph 2.6 below):

- 2.1.1 if the relevant Final Terms indicates that such Temporary Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “Selling Restrictions”), in whole, but not in part, for the Definitive Notes, as defined and described below; and
- 2.1.2 otherwise, in whole or in part upon certification as to non- U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a Permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

2.2 Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 2.4 below, in part for Definitive Notes if Euroclear or Clearstream, Luxembourg or any other clearing system (an “Alternative Clearing System”) is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available.

2.3 Global Certificates

Each Global Certificate is exchangeable (free of charge to the Registered Holder) on or after the Exchange Date in whole, but not in part, for Definitive Certificates :

- 2.3.1 if such ECNs are held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no Alternative Clearing System satisfactory to the Trustee is available; or
- 2.3.2 with the consent of the relevant Issuer,

by the Registered Holder giving not less than 30 days’ notice to the Registrar at its specified office of the Registered Holder’s intention to effect such exchange.

Each Restricted Global Certificate and each definitive registered ECN for which a Global Certificate may be exchanged (“Definitive Certificate”) issued in exchange for a beneficial interest in a Restricted Global

Certificate will bear an appropriate legend applicable to purchasers who purchase the registered ECNs pursuant to an applicable exemption under the Securities Act.

2.4 Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system so permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes if principal in respect of any ECNs is not paid when due.

2.5 Delivery of ECNs

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing, Paying and Conversion Agent. In exchange for any Global Note, or the part thereof to be exchanged, the relevant Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate principal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Notes and/or Definitive Certificates, as the case may be. Definitive Notes will be security printed and Definitive Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the schedules to the Trust Deed. On exchange in full of each Permanent Global Note, the relevant Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

2.6 Exchange Date

“Exchange Date” means, in relation to a Temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a Permanent Global Note or a Global Certificate, a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing, Paying and Conversion Agent is located and in the city in which the relevant clearing system is located.

3. Amendment to Conditions

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

3.1 Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a Permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any Temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Global Notes or Global Certificates will be made in accordance with the methods of calculation provided for in the Dated ECN Conditions or the Undated ECN Conditions, as the case may be, save that the calculation will be made in respect of the total aggregate principal amount of the ECNs represented by such Global Note or Global Certificate, together with such other sums and additional amounts (if any) payable under the Dated ECN Conditions or Undated ECN Conditions, as the case may be, in accordance with the Dated ECN Conditions or the Undated ECN Conditions, as the case may be. All payments in respect of ECNs represented by a Global Note will be made against presentation for endorsement and, if no further

payment falls to be made in respect of the ECNs, surrender of that Global Note to or to the order of the Issuing, Paying and Conversion Agent or such other paying agent as shall have been notified to the holders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the ECNs. In relation to the Dated ECNs, Condition 9(e)(vi) and Condition 10(f) will apply to Definitive Notes only, and in relation to the Undated ECNs, Condition 11(e)(vi) and Condition 12(f) will apply to Definitive Notes only.

3.2 Prescription

Claims against the relevant Issuer in respect of ECNs that are represented by a Permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 19 in relation to the Dated ECNs and Condition 21 in relation to the Undated ECNs).

3.3 Meetings

The holder of a Permanent Global Note or of the ECNs represented by a Global Certificate shall (unless such Permanent Global Note or Global Certificate represents only one ECN) be treated as being two persons for the purposes of any quorum requirements of a meeting of ECN Holders and, at any such meeting, the holder of a Permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the relevant currency of the ECNs. All holders of registered ECNs are entitled to one vote in respect of each integral currency unit of the relevant currency of the ECNs comprising such holder's holding, whether or not represented by a Global Certificate.

3.4 Cancellation

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

3.5 Purchase

ECNs represented by a Permanent Global Note may only be purchased by the relevant Issuer, the relevant Guarantor or Guarantors or any of their respective subsidiaries or any holding company of the relevant Issuer or any other subsidiary of any such holding company if they are purchased together with the right to receive all future payments of interest thereon.

3.6 Trustee's Powers

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

3.7 Notices

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

3.8 Conversion

As soon as reasonably practicable following the occurrence of a Conversion Trigger, the relevant Issuer shall give notice thereof to the relevant clearing system for communication by it to entitled accountholders (subject to the provisions of paragraph headed “Notices” above) within the time limits set out in and containing the information required by Condition 7(a) in relation to the Dated ECNs and Condition 9(a) in relation to the Undated ECNs.

DEED POLL

The following is the text of the Deed Poll which has been entered into by Lloyds Banking Group.

THIS DEED POLL (the “Deed Poll”) is executed by LLOYDS BANKING GROUP PLC (“LBG”), a company incorporated in Scotland with limited liability with registered number 95000 and having its registered office at The Mound, Edinburgh EH1 1YZ, United Kingdom as a deed on 1 December 2009 in favour of the holders of ECNs from time to time.

WHEREAS

- (A) Each of LBG Capital No. 1 plc and LBG Capital No. 2 plc proposes to issue from time to time ECNs pursuant to the £5,000,000,000 Enhanced Capital Note Programme. The ECNs will be constituted by the trust deed dated 1 December 2009 (as amended or supplemented from time to time, the “**Trust Deed**”) between LBG Capital No. 1 plc, LBG Capital No. 2 plc, LBG, Lloyds TSB Bank plc and BNY Corporate Trustee Services Limited (the “**Trustee**”).
- (B) The ECNs are subject to conversion into Ordinary Shares in the circumstances provided in the ECNs and the Trust Deed.
- (C) LBG, by a resolution of its Board of Directors passed on 2 November 2009 and a resolution of a committee of its Board of Directors passed on 23 November 2009, has determined to undertake (subject as provided herein) to each of the holders from time to time of the ECNs to deliver fully paid Ordinary Shares on the terms and subject to the conditions hereinafter provided.
- (D) LBG has determined to execute this Deed Poll in connection with the issue of the ECNs and the delivery of the Ordinary Shares in relation thereto.

NOW THIS INSTRUMENT WITNESSETH as follows:

1. Interpretation

1.1 In this Deed Poll, unless there is something in the subject matter or context inconsistent therewith, the words and expressions set out below bear the following meanings:

“business day” means, in relation to any place, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in that place;

“Clearstream, Luxembourg” means Clearstream Banking, société anonyme;

“Companies Act” means the Companies Act 2006;

“Conversion Date” means the date specified as such in the relevant Conversion Trigger Notice;

“Current Market Price” means, in respect of an Ordinary Share at a particular date, the average of the daily Volume Weighted Average Price of an Ordinary Share on each of the five consecutive dealing days (or, for the purposes of Clause 3.4, 10 consecutive dealing days) ending on the dealing day immediately preceding such date; provided that, if at any time during the said five-dealing-day period the Volume Weighted Average Price shall have been based on a price ex-Dividend (or ex- any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement), then:

- (a) if the Ordinary Shares to be issued or delivered do not rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price cum-Dividend (or cum- any other entitlement) shall, for the

purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of first public announcement relating to such Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit; or

- (b) if the Ordinary Shares to be issued or delivered do rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price ex-Dividend (or ex- any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of first public announcement relating to such Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit,

and provided further that, if on each of the said five dealing days the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement) in respect of a Dividend (or other entitlement) which has been declared or announced but the Ordinary Shares to be issued or delivered do not rank for that Dividend (or other entitlement), the Volume Weighted Average Price on each of such dates shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of first public announcement relating to such Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit,

and provided further that, if the Volume Weighted Average Price of an Ordinary Share is not available on one or more of the said five dealing days (disregarding for this purpose the proviso to the definition of Volume Weighted Average Price), then the average of such Volume Weighted Average Prices which are available in that five-dealing-day period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted Average Price is available in the relevant period, the Current Market Price shall be determined in good faith by an Independent Financial Adviser;

“dealing day” means a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is open for business and on which Ordinary Shares, Securities, Spin-Off Securities, options, warrants or other rights (as the case may be) may be dealt in (other than a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is scheduled to or does close prior to its regular weekday closing time);

“Dividend” means any dividend or distribution in respect of the Ordinary Shares to Shareholders (including a Spin-Off) whether of cash, assets or other property, and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to holders upon or in connection with a reduction of capital (and for these purposes a distribution of assets includes, without limitation, an issue of Ordinary Shares or other Securities credited as fully or partly paid up by way of capitalisation of profits or reserves), provided that:

- (a) where: (1) a Dividend in cash is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the issue or delivery of Ordinary Shares or other property or assets, or where a capitalisation of profits or reserves is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the payment of cash, then the Dividend in question shall be treated as a cash Dividend of an amount equal to the

greater of (i) the Fair Market Value of such cash amount and (ii) the Current Market Price of such Ordinary Shares as at the first date on which the Ordinary Shares are traded ex- the relevant Dividend on the Relevant Stock Exchange or, as the case may be, the record date or other due date for establishment of entitlement in respect of the relevant capitalisation or, as the case may be, the Fair Market Value of such other property or assets as at the date of the first public announcement of such Dividend or capitalisation on the Relevant Stock Exchange or, if later, the date on which the number of Ordinary Shares (or amount of such other property or assets, as the case may be) which may be issued or delivered is determined or (2) there shall be any issue of Ordinary Shares by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) where such issue is or is expressed to be in lieu of a Dividend (whether or not a cash Dividend equivalent or amount is announced or would otherwise be payable to Shareholders, whether at their election or otherwise), the Dividend in question shall be treated as a cash Dividend of an amount equal to the Current Market Price of such Ordinary Shares as at the first date on which the Ordinary Shares are traded ex- the relevant capitalisation on the Relevant Stock Exchange or, as the case may be, the record date or other due date for establishment of entitlement in respect of the relevant capitalisation or, in any such case, if later, the date on which the number of Ordinary Shares to be issued or delivered is determined;

- (b) any issue of Ordinary Shares falling within Clause 3.2 shall be disregarded;
- (c) a purchase or redemption or buy back of share capital of LBG by or on behalf of LBG or any of its Subsidiaries shall not constitute a Dividend unless, in the case of a purchase or redemption or buy back of Ordinary Shares by or on behalf of LBG or any of its Subsidiaries, the weighted average price per Ordinary Share (before expenses) on any one day (a “**Specified Share Day**”) in respect of such purchases or redemptions or buy backs (translated, if not in the Relevant Currency, into the Relevant Currency at the Prevailing Rate on such day) exceeds by more than 5 per cent. the average of the daily Volume Weighted Average Price of an Ordinary Share on the five dealing days immediately preceding the Specified Share Day or, where an announcement (excluding, for the avoidance of doubt for these purposes, any general authority for such purchases, redemptions or buy backs approved by a general meeting of Shareholders or any notice convening such a meeting of Shareholders) has been made of the intention to purchase, redeem or buy back Ordinary Shares at some future date at a specified price or where a tender offer is made, on the five dealing days immediately preceding the date of such announcement or the date of first public announcement of such tender offer (and regardless of whether or not a price per Ordinary Share, a minimum price per Ordinary Share or a price range or formula for the determination thereof is or is not announced at such time), as the case may be, in which case such purchase, redemption or buy back shall be deemed to constitute a Dividend in the Relevant Currency to the extent that the aggregate price paid (before expenses) in respect of such Ordinary Shares purchased, redeemed or bought back by LBG or, as the case may be, any of its Subsidiaries (translated where appropriate into the Relevant Currency as provided above) exceeds the product of (i) 105 per cent. of the daily Volume Weighted Average Price of an Ordinary Share determined as aforesaid and (ii) the number of Ordinary Shares so purchased, redeemed or bought back;
- (d) if LBG or any of its Subsidiaries shall purchase, redeem or buy back any depositary or other receipts or certificates representing Ordinary Shares, the provisions of paragraph (c) above shall be applied in respect thereof in such manner and with such modifications (if any) as shall be determined in good faith by an Independent Financial Adviser; and

- (e) where a dividend or distribution is paid or made to Shareholders pursuant to any plan implemented by LBG for the purpose of enabling Shareholders to elect, or which may require Shareholders, to receive dividends or distributions in respect of the Ordinary Shares held by them from a person other than, or in addition to, LBG, such dividend or distribution shall for the purposes of this Deed Poll be treated as a dividend or distribution made or paid to Shareholders by LBG, and the foregoing provisions of this definition and the provisions of this Deed Poll, including references to LBG paying or making a dividend, shall be construed accordingly, and any such determination shall be made on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit;

“ECNs” shall, unless the context otherwise requires, mean the ECNs of a particular Series;

“ECN Holders” has the meaning provided in the Conditions of the ECNs and shall, for the purposes of this Deed Poll, if the ECNs are represented by a Global Security or are in definitive form and held through Euroclear or Clearstream, Luxembourg, include each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of ECNs (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such ECNs standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error), and such person shall be treated by LBG as the holder of such principal amount of such ECNs for all purposes. In addition, the term “ECN Holder” (as defined) shall, in the case of a Conversion of ECNs, for the purposes only of this Deed Poll also include the person who was the holder of the relevant ECN on the Conversion Date until such time as LBG shall have satisfied its obligations in full pursuant to this Deed Poll in respect of the Conversion of such ECN. The expression “ECN Holders”, “ECN” and “holder of ECNs” and related expressions shall be construed accordingly.

“Euroclear” means Euroclear Bank S.A./N.V.

“Exempt Newco Scheme” means a Newco Scheme where, immediately after completion of the relevant Scheme of Arrangement, the ordinary shares or units or equivalent of Newco (or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco) are (i) admitted to trading on the Relevant Stock Exchange or (ii) admitted to listing on such other regulated, regularly operating, recognised stock exchange or securities market as LBG or Newco may determine;

“Extraordinary Resolution” has the meaning provided in the Trust Deed;

“Fair Market Value” means, with respect to any property on any date, the fair market value of that property as determined by an Independent Financial Adviser in good faith, provided that (i) the Fair Market Value of a cash Dividend shall be the amount of such cash Dividend; (ii) the Fair Market Value of any other cash amount shall be the amount of such cash; (iii) where Securities, Spin-Off Securities, options, warrants or other rights are publicly traded on a stock exchange or securities market of adequate liquidity (as determined in good faith by an Independent Financial Adviser), the Fair Market Value (a) of such Securities or Spin-Off Securities shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such Securities or Spin-Off Securities and (b) of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights, in the case of (a) and (b), during the period of five dealing days on the relevant stock exchange or securities market commencing on such date (or, if later, the first such dealing day such Securities, Spin-Off Securities, options, warrants or other rights are publicly traded) or such shorter period as such Securities, Spin-Off Securities, options, warrants or other rights are publicly traded; (iv) where Securities, Spin-Off Securities, options, warrants or other rights are not

publicly traded on a stock exchange or securities market of adequate liquidity (as aforesaid), the Fair Market Value of such Securities, Spin-Off Securities, options, warrants or other rights shall be determined in good faith by an Independent Financial Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Ordinary Share, the dividend yield of an Ordinary Share, the volatility of such market price, prevailing interest rates and the terms of such Securities, Spin-Off Securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof. Such amounts shall, in the case of (i) above, be translated into the Relevant Currency (if declared or paid or payable in a currency other than the Relevant Currency) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the cash Dividend in the Relevant Currency; and, in any other case, shall be translated into the Relevant Currency (if expressed in a currency other than the Relevant Currency) at the Prevailing Rate on that date. In addition, in the case of (i) and (ii) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit;

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

“Further ECNs” means any further ECNs issued pursuant to Condition 16 of the ECNs and consolidated and forming a single series with the then outstanding ECNs;

“Global Security” means the global security in bearer form initially representing the Bearer ECNs on the Issue Date and/or the global security in registered form initially representing the Registered ECNs on the Issue Date, as the context may require.

“Independent Financial Adviser” means an independent financial institution of international repute appointed at its own expense by LBG;

“LBG Group” means LBG and its Subsidiaries;

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

“Newco Scheme” means a scheme of arrangement or analogous proceeding (“Scheme of Arrangement”) which effects the interposition of a limited liability company (“Newco”) between the Shareholders of LBG immediately prior to the Scheme of Arrangement (the “Existing Shareholders”) and LBG; provided that (i) only ordinary shares or units or equivalent of Newco or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco are issued to Existing Shareholders; (ii) immediately after completion of the Scheme of Arrangement the only holders of ordinary shares, units or equivalent of Newco or, as the case may be, the only holders of depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco, are Existing Shareholders holding in the same proportions as immediately prior to completion of the Scheme of Arrangement; (iii) immediately after completion of the Scheme of Arrangement, Newco is (or one or more wholly-owned Subsidiaries of Newco are) the only shareholder of LBG; (iv) all Subsidiaries of LBG immediately prior to the Scheme of Arrangement (other than Newco, if Newco is then a Subsidiary of LBG) are Subsidiaries of LBG (or of Newco) immediately after completion of the Scheme of Arrangement; and (v) immediately after completion of the Scheme of Arrangement LBG (or Newco) holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those Subsidiaries as was held by LBG immediately prior to the Scheme of Arrangement;

“Notice Cut-off Date” has the meaning provided in Clause 11.1;

“Ordinary Shares” means fully paid ordinary shares in the capital of LBG currently with a par value of £0.10 each;

a “person” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity);

“Prevailing Rate” means, in respect of any currencies on any day, the spot rate of exchange between the relevant currencies prevailing as at or about 12 noon (London time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12 noon (London time) on the immediately preceding day on which such rate can be so determined or, if such rate cannot be so determined by reference to the Relevant Page, the rate determined in such other manner as an Independent Financial Adviser shall in good faith prescribe;

“Reference Date” means, in relation to a Retroactive Adjustment, the date as of which the relevant Retroactive Adjustment takes effect or, in any such case, if that is not a dealing day, the next following dealing day;

“Relevant Currency” means pounds sterling or, if at the relevant time or for the purposes of the relevant calculation or determination the London Stock Exchange is not the Relevant Stock Exchange, the currency in which the Ordinary Shares are quoted or dealt in on the Relevant Stock Exchange at such time;

“Relevant Page” means the relevant page on Bloomberg or such other information service provider that displays the relevant information;

“Relevant Stock Exchange” means the London Stock Exchange or, if at the relevant time the Ordinary Shares are not at that time listed and admitted to trading on the London Stock Exchange, the principal stock exchange or securities market on which the Ordinary Shares are then listed, admitted to trading or quoted or accepted for dealing;

“Retroactive Adjustment” has the meaning provided in Clause 4;

“Securities” means any securities including, without limitation, shares in the capital of LBG, or options, warrants or other rights to subscribe for or purchase or acquire shares in the capital of LBG;

“Series” has the meaning provided in the ECNs;

“Settlement Date” means the 15th London business day following the Conversion Date;

“Shareholders” means the holders of Ordinary Shares;

“Specified Date” has the meaning provided in Clauses 3.7 and 3.8;

“Spin-Off” means:

- (a) a distribution of Spin-Off Securities by LBG to Shareholders as a class; or
- (b) any issue, transfer or delivery of any property or assets (including cash or shares or other securities of or in or issued or allotted by any entity) by any entity (other than LBG) to Shareholders as a class or, in the case of or in connection with a Newco Scheme, Existing Shareholders as a class (but excluding the issue and allotment of ordinary shares (or depositary or other receipts or certificates representing such ordinary shares) by Newco to Existing

Shareholders as a class), pursuant in each case to any arrangements with LBG or any of its Subsidiaries;

“Spin-Off Securities” means equity share capital of an entity other than LBG or options, warrants or other rights to subscribe for or purchase equity share capital of an entity other than LBG;

“Subsidiary” has the meaning provided in Section 1159 of the Companies Act;

“UK Listing Authority” means the Financial Services Authority in its capacity as competent authority for the purposes of the Financial Services and Markets Act 2000; and

“Volume Weighted Average Price” means, in respect of an Ordinary Share, Security or, as the case may be, a Spin-Off Security on any dealing day, the order book volume-weighted average price of an Ordinary Share, Security or, as the case may be, a Spin-Off Security published by or derived (in the case of an Ordinary Share) from the relevant Bloomberg page or (in the case of a Security (other than Ordinary Shares), Spin-Off Security, options, warrants or other rights) from the principal stock exchange or securities market on which such Securities, Spin-Off Securities, options, warrants or other rights are then listed or quoted or dealt in, if any or, in any such case, such other source as shall be determined in good faith to be appropriate by an Independent Financial Adviser on such dealing day, provided that if on any such dealing day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Ordinary Share, Security, a Spin-Off Security, option, warrant or other right, as the case may be, in respect of such dealing day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding dealing day on which the same can be so determined or determined as an Independent Financial Adviser might otherwise determine in good faith to be appropriate.

1.2 References to:

1.2.1 “£” and “pounds sterling” means the lawful currency for the time being of the United Kingdom;

1.2.2 “ordinary share capital” has the meaning provided in Section 832 of the Income and Corporation Taxes Act 1988 and “equity share capital” has the meaning provided in Section 548 of the Companies Act;

1.2.3 any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment;

1.2.4 any issue or offer or grant to Shareholders or Existing Shareholders “as a class” or “by way of rights” shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders or Existing Shareholders, as the case may be, other than Shareholders or Existing Shareholders, as the case may be, to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant; and

1.2.5 to listing on the London Stock Exchange (or like or similar references) shall be construed as admission to the Official List of the UK Listing Authority and admission to trading on the EEA Regulated Market of the London Stock Exchange and references to “EEA Regulated Market” mean a market as defined by Article 4.1 (14) of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

1.3 For the purposes of Clauses 3, 4, 6, 9, 10, 11, 12 and 17, (1) references to the “issue” of Ordinary Shares or Ordinary Shares being “issued” shall, unless otherwise expressly specified in those Clauses,

include the delivery of Ordinary Shares, whether newly issued and allotted or previously existing or held by or on behalf of LBG or any of its Subsidiaries, and (2) Ordinary Shares held by or on behalf of LBG or any of its respective Subsidiaries (and which, in the case of Clauses 3.4 and 3.6, do not rank for the relevant right or other entitlement) shall not be considered as or treated as “in issue” or “issued” or entitled to receive the relevant Dividend, right or other entitlement.

- 1.4 In making any calculation or determination of Current Market Price or Volume Weighted Average Price, such adjustments (if any) shall be made as an Independent Financial Adviser determines in good faith to be appropriate to reflect any consolidation or sub-division of the Ordinary Shares or any issue of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event.
- 1.5 Unless otherwise provided herein, terms defined in the ECNs or the Trust Deed shall have the same meaning in this Deed Poll.
- 1.6 Unless the context requires otherwise, terms importing the singular number only shall include the plural and vice versa and terms importing persons shall include firms and corporations and terms importing one gender only shall include the other gender.
- 1.7 References in this Deed Poll to “Clauses” shall be construed as references to the Clauses of this Deed Poll.
- 1.8 The headings to Clauses are inserted for convenience only and shall not affect the construction of this Deed Poll.

2. Conversion by LBG

- 2.1 In consideration of the Issuer’s obligation to pay the Conversion Settlement Sum to LBG, LBG shall issue or deliver a number of new and/or existing Ordinary Shares on Conversion of each ECN determined by dividing the principal amount of an ECN (where relevant, translated into pounds sterling at the Prevailing Rate on the second London business day prior to the Conversion Date) by (i) in the case of ECNs where the Specified Currency is not pounds sterling, the conversion price (the “Conversion Price”) in effect on the Conversion Date or (ii) in the case of ECNs where the Specified Currency is pounds sterling, by the Specified Conversion Price.

For the purposes of the foregoing, “Specified Conversion Price” means the Conversion Price in effect on the Conversion Date, save that if the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange on the dealing day immediately preceding the Conversion Date shall be greater than the Conversion Price in effect on such dealing day, “Specified Conversion Price” means the sum of (i) the Conversion Price in effect on the Conversion Date and (ii) £0.01.

- 2.2 The initial Conversion Price per Ordinary Share in respect of the ECNs is specified in the relevant Final Terms. The Conversion Price is subject to adjustment in the circumstances described in Clause 3 below.
- 2.3 Once an ECN has been converted into Ordinary Shares, there is no provision for the reconversion of such Ordinary Shares back into ECNs.

3. Adjustment of Conversion Price

Upon the happening of any of the events described below, the Conversion Price shall be adjusted as follows:

- 3.1** If and whenever there shall be a consolidation, reclassification or subdivision in relation to the Ordinary Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such consolidation, reclassification or subdivision by the following fraction:

$$\frac{A}{B}$$

where:

- A is the aggregate number of Ordinary Shares in issue immediately before such consolidation, reclassification or subdivision, as the case may be; and
- B is the aggregate number of Ordinary Shares in issue immediately after, and as a result of, such consolidation, reclassification or subdivision, as the case may be.

Such adjustment shall become effective on the date the consolidation, reclassification or subdivision, as the case may be, takes effect.

- 3.2** If and whenever LBG shall issue any Ordinary Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than (1) where any such Ordinary Shares are or are to be issued instead of the whole or part of a Dividend in cash which the Shareholders would or could otherwise have elected to receive, (2) where the Shareholders may elect to receive a Dividend in cash in lieu of such Ordinary Shares or (3) where any such Ordinary Shares are or are expressed to be issued in lieu of a Dividend (whether or not a cash Dividend equivalent or amount is announced or would otherwise be payable to Shareholders, whether at their election or otherwise), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

- A is the aggregate number of Ordinary Shares in issue immediately before such issue; and
- B is the aggregate number of Ordinary Shares in issue immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares.

- 3.3** If and whenever any Dividend shall be made or paid to Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Ordinary Share on the Effective Date; and
- B is the portion of the Fair Market Value of the aggregate Dividend attributable to one Ordinary Share, with such portion being determined by dividing the Fair Market Value of the aggregate Dividend by the number of Ordinary Shares entitled to receive the relevant Dividend (or, in the case of a purchase, redemption or buy back of Ordinary Shares or any depositary or other receipts or certificates representing Ordinary Shares by or on behalf of LBG or any Subsidiary

of LBG, by the number of Ordinary Shares in issue immediately following such purchase, redemption or buy back, and treating as not being in issue any Ordinary Shares, or any Ordinary Shares represented by depositary or other receipts or certificates, purchased, redeemed or bought back).

Such adjustment shall become effective on the Effective Date or, if later, the first date upon which the Fair Market Value of the relevant Dividend is capable of being determined as provided herein.

“Effective Date” means, in respect of this Clause 3.3, the first date on which the Ordinary Shares are traded ex-the relevant Dividend on the Relevant Stock Exchange or, in the case of a purchase, redemption or buy back of Ordinary Shares or any depositary or other receipts or certificates representing Ordinary Shares, the date on which such purchase, redemption or buy back is made or, in the case of a Spin-Off, on the first date on which the Ordinary Shares are traded ex-the relevant Spin-Off on the Relevant Stock Exchange.

For the purposes of the above, Fair Market Value shall (subject as provided in paragraph (a) of the definition of “Dividend” and in the definition of “Fair Market Value”) be determined as at the Effective Date.

- 3.4** If and whenever LBG shall issue Ordinary Shares to Shareholders as a class by way of rights, or shall issue or grant to Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase Ordinary Shares, or any Securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued), in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue on the Effective Date;
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for the Securities issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Ordinary Shares deliverable on the exercise thereof, would purchase at such Current Market Price per Ordinary Share on the Effective Date; and
- C is the number of Ordinary Shares to be issued or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this Clause 3.4, the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

- 3.5** If and whenever LBG shall issue any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase any Ordinary Shares) to Shareholders as a class by way of

rights or grant to Shareholders as a class by way of rights any options, warrants or other rights to subscribe for or purchase any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase Ordinary Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Ordinary Share on the Effective Date; and
- B is the Fair Market Value on the Effective Date of the portion of the rights attributable to one Ordinary Share.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this Clause 3.5, the first date on which the Ordinary Shares are traded ex- the relevant Securities or ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

- 3.6** If and whenever LBG shall issue (otherwise than as mentioned in Clause 3.4 above) wholly for cash or for no consideration any Ordinary Shares (other than Ordinary Shares issued on conversion of the ECNs or on the exercise of any rights of conversion into, or exchange or subscription for or purchase of, Ordinary Shares) or issue or grant (otherwise than as mentioned in Clause 3.4 above) wholly for cash or for no consideration any options, warrants or other rights to subscribe for or purchase any Ordinary Shares (other than the ECNs, which term shall for this purpose include any Further ECNs), in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue immediately before the issue of such Ordinary Shares or the grant of such options, warrants or rights;
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the issue of such Ordinary Shares or, as the case may be, for the Ordinary Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Ordinary Share; and
- C is the number of Ordinary Shares to be issued pursuant to such issue of such Ordinary Shares or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this Clause 3.6, the date of issue of such Ordinary Shares or, as the case may be, the grant of such options, warrants or rights.

- 3.7** If and whenever LBG or any Subsidiary of LBG or (at the direction or request of or pursuant to any arrangements with LBG or any Subsidiary of LBG) any other company, person or entity (otherwise than as mentioned in Clause 3.4, 3.5 or 3.6 above) shall issue wholly for cash or for no consideration any Securities (other than the ECNs which term shall for this purpose exclude any Further ECNs) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued) or Securities which by their terms might be redesignated as Ordinary Shares, and the consideration per Ordinary Share receivable upon conversion, exchange, subscription or redesignation is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the terms of issue of such securities (or the terms of such grant), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue immediately before such issue or grant (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for Ordinary Shares which have been issued, purchased or acquired by LBG or any Subsidiary of LBG (or at the direction or request or pursuant to any arrangements with LBG or any Subsidiary of LBG) for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued, purchased or acquired);
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to such Securities or, as the case may be, for the Ordinary Shares to be issued or to arise from any such redesignation would purchase at such Current Market Price per Ordinary Share; and
- C is the maximum number of Ordinary Shares to be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such right of subscription attached thereto at the initial conversion, exchange or subscription price or rate or, as the case may be, the maximum number of Ordinary Shares which may be issued or arise from any such redesignation,

provided that if at the time of issue of the relevant Securities or date of grant of such rights (as used in this Clause 3.7, the “Specified Date”) such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription are exercised or, as the case may be, such Securities are redesignated or at such other time as may be provided), then for the purposes of this Clause 3.7, “C” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition or, as the case may be, redesignation had taken place on the Specified Date.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this Clause 3.7, the date of issue of such Securities or, as the case may be, the grant of such rights.

- 3.8** If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such Securities (other than the ECNs, which term shall for this purpose include any Further ECNs) as are mentioned in Clause 3.7 above (other than in accordance with the terms (including terms as to adjustment) applicable to such Securities upon issue) so that following such modification the consideration per Ordinary Share receivable has been reduced and is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue on the dealing day immediately before such modification (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for, or purchase or acquisition of, Ordinary Shares which have been issued, purchased or acquired by LBG or any Subsidiary of LBG (or at the direction or request or pursuant to any arrangements with LBG or any Subsidiary of LBG) for the purposes of or in connection with such Securities, less the number of such Ordinary Shares so issued, purchased or acquired);
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription, purchase or acquisition attached to the Securities so modified would purchase at such Current Market Price per Ordinary Share or, if lower, the existing conversion, exchange, subscription, purchase or acquisition price or rate of such Securities; and
- C is the maximum number of Ordinary Shares which may be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified conversion, exchange, subscription, purchase or acquisition price or rate but giving credit in such manner as an Independent Financial Adviser shall consider appropriate for any previous adjustment under this Clause 3.8 or Clause 3.7 above;

provided that if at the time of such modification (as used in Clause 3.8, the “Specified Date”) such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription, purchase or acquisition are exercised or at such other time as may be provided), then for the purposes of this Clause 3.8, “C” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Specified Date.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this Clause 3.8, the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such Securities.

- 3.9** If and whenever LBG or any Subsidiary of LBG or (at the direction or request of or pursuant to any arrangements with LBG or any Subsidiary of LBG) any other company, person or entity shall offer any Securities in connection with which Shareholders as a class are entitled to participate in arrangements whereby such Securities may be acquired by them (except where the Conversion Price falls to be adjusted under Clause 3.2, 3.3, 3.4, 3.6 or 3.7 above (or would fall to be so adjusted if the relevant issue or grant was at less than 95 per cent. of the Current Market Price per Ordinary Share on the relevant dealing day) or under Clause 3.5 above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Ordinary Share on the Effective Date; and
B is the Fair Market Value on the Effective Date of the portion of the relevant offer attributable to one Ordinary Share.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this Clause 3.9, the first date on which the Ordinary Shares are traded ex-rights on the Relevant Stock Exchange.

- 3.10** If LBG determines that a reduction to the Conversion Price should be made for whatever reason, the Conversion Price will be reduced (either generally or for a specified period as notified to ECN Holders) in such manner and with effect from such date as LBG shall determine and notify to the ECN Holders.
- 3.11** Notwithstanding the foregoing provisions of this Clause 3:
- 3.11.1** where the events or circumstances giving rise to any adjustment pursuant to this Clause 3 have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances which have already given or will give rise to an adjustment to the Conversion Price or where more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of LBG, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be determined in good faith by an Independent Financial Adviser to be in its opinion appropriate to give the intended result;
- 3.11.2** such modification shall be made to the operation of this Deed Poll as may be determined in good faith by an Independent Financial Adviser to be in its opinion appropriate (i) to ensure that an adjustment to the Conversion Price or the economic effect thereof shall not be taken into account more than once and (ii) to ensure that the economic effect of a Dividend is not taken into account more than once; and
- 3.11.3** for the avoidance of doubt, the issue of Ordinary Shares upon a Conversion or upon any conversion or exchange in respect of any other Securities or the exercise of any other options, warrants or other rights shall not result in an adjustment to the Conversion Price.

3.12 For the purpose of any calculation of the consideration receivable or price pursuant to Clauses 3.4, 3.6, 3.7 and 3.8, the following provisions shall apply:

3.12.1 the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;

3.12.2 (x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any Securities shall be deemed to be the consideration or price received or receivable for any such Securities and (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any Securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such Securities or, as the case may be, for such options, warrants or rights which are attributed by LBG to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the relevant date of first public announcement referred to in Clause 3.6, 3.7 or 3.8, as the case may be, plus in the case of each of (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights and (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such Securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (x) or (y) above (as the case may be) divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;

3.12.3 if the consideration or price determined pursuant to (1) or (2) above (or any component thereof) shall be expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date (in the case of (1) above) or the relevant date of first public announcement (in the case of (2) above);

3.12.4 in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or Securities or options, warrants or rights, or otherwise in connection therewith; and

3.12.5 the consideration or price shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable, regardless of whether all or part thereof is received, receivable, paid or payable by or to LBG or another entity.

4. Retroactive Adjustments

If the Conversion Date in relation to the conversion of any ECN shall be after the record date in respect of any consolidation, reclassification or sub-division as is mentioned in Clause 3.1, or after the record date or other due date for the establishment of entitlement for any such issue, distribution, grant or offer (as the case may be) as is mentioned in Clause 3.2, 3.3, 3.4, 3.5 or 3.9, or after the date of the first public announcement of the terms of any such issue or grant as is mentioned in Clauses 3.6 and 3.7 or of the terms of any such modification as is mentioned in Clause 3.8, but before the relevant adjustment to the Conversion Price becomes effective under this Clause 3 (such adjustment, a “Retroactive Adjustment”), then LBG shall

(conditional upon the relevant adjustment becoming effective) procure that there shall be issued or delivered to the relevant ECN Holder, in accordance with the instructions contained in the relevant Conversion Notice or, as the case may be, to the Relevant Person, such additional number of Ordinary Shares (if any) (the “Additional Ordinary Shares”) as, together with the Ordinary Shares issued or delivered on Conversion of the relevant ECN (together with any fraction of an Ordinary Share not so issued or delivered), is equal to the number of Ordinary Shares which would have been required to be issued or delivered on Conversion if the relevant adjustment to the Conversion Price had been made and become effective immediately prior to the Conversion Date. Where such Additional Ordinary Shares are to be issued to the Relevant Person, the provisions of Clause 11.3 below relating to the sale of Ordinary Shares shall apply *mutatis mutandis*.

5. Decision of an Independent Financial Adviser

If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to the appropriate adjustment to the Conversion Price, and following consultation between LBG and an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect thereof shall be conclusive and binding on LBG and the ECN Holders, save in the case of manifest error.

6. Share Option Schemes

No adjustment will be made to the Conversion Price where Ordinary Shares or other Securities (including rights, warrants and options) are issued, offered, exercised, allotted, purchased, appropriated, modified or granted to, or for the benefit of, employees or former employees (including Directors holding or formerly holding executive office or the personal service company of any such person) or their spouses or relatives, in each case, of LBG or any of its Subsidiaries or any associated company or to a trustee or trustees to be held for the benefit of any such person, in any such case pursuant to any share or option scheme.

7. Rounding Down and Notice of Adjustment to the Conversion Price

7.1 On any adjustment, the resultant Conversion Price, if a number that is of more decimal places than the initial Conversion Price, shall be rounded to such decimal place. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made.

7.2 Notice of any adjustments to the Conversion Price shall be given by LBG to ECN Holders promptly after the determination thereof.

7.3 The Conversion Price shall not in any event be reduced to below the nominal value of the Ordinary Shares. LBG undertakes that it shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price to below such nominal value.

8. Qualifying Relevant Event

8.1 If a Qualifying Relevant Event shall occur, the ECNs shall, where the Conversion Date falls on or after the New Conversion Condition Effective Date, be converted into Relevant Shares of the Approved Entity, *mutatis mutandis* as provided in accordance with this Deed Poll, at a Conversion Price that shall be initially the New Conversion Price and where the principal amount of the ECNs (where

relevant) shall be translated into pounds sterling at the Prevailing Rate on the second London business day prior to the Conversion Date.

8.2 The New Conversion Price shall be subject to adjustment in the circumstances provided in this Deed Poll (with such modifications and amendments as an Independent Financial Adviser acting in good faith shall determine to be appropriate) and LBG shall give notice to ECN Holders of the New Conversion Price and of any such modifications and amendments.

8.3 In the case of a Qualifying Relevant Event:

8.3.1 LBG shall, on or prior to the New Conversion Condition Effective Date, enter into such agreements and arrangements, which may include deeds supplemental to this Deed Poll, and such amendments and modifications to this Deed Poll shall be made to ensure that, with effect from the New Conversion Condition Effective Date, the ECNs shall be convertible into, or exchangeable for, Relevant Shares of the Approved Entity, *mutatis mutandis* in accordance with, and subject to, this Deed Poll (as may be so supplemented, amended or modified) at an initial Conversion Price equal to the New Conversion Price;

8.3.2 LBG shall, where the Conversion Date falls on or after the New Conversion Condition Effective Date, procure the issue and/or delivery of the relevant number of Relevant Shares in the manner provided in this Deed Poll, as may be supplemented, amended or modified as provided above.

8.3.3 Within 10 calendar days following the occurrence of a Relevant Event, LBG shall give notice thereof to the ECN Holders (a “Relevant Event Notice”).

8.3.4 The Relevant Event Notice shall specify:

- (a) the identity of the Acquiror;
- (b) whether the Relevant Event is a Qualifying Relevant Event or a Non-Qualifying Relevant Event;
- (c) in the case of a Qualifying Relevant Event, if determined at such time, the New Conversion Price;
- (d) in the case of a Non-Qualifying Relevant Event where the Acquiror is an Approved Entity, that, with effect from the date falling eight days following the occurrence of the Relevant Event and unless the Conversion Trigger shall have occurred prior to such date, outstanding ECNs shall not be subject to Conversion at any time notwithstanding that a Conversion Trigger may occur subsequently; and
- (e) in the case of a Non-Qualifying Relevant Event where the Acquiror is not an Approved Entity, that, with effect from the occurrence of the Relevant Event and unless the Conversion Trigger shall have occurred prior to such date, outstanding ECNs shall not be subject to Conversion at any time notwithstanding that a Conversion Trigger may occur subsequently.

8.4 For the purposes of this Clause 8:

“Acquiror” means the person which, following a Relevant Event, controls LBG.

“Approved Entity” means a body corporate that is incorporated or established under the laws of an OECD member state (other than an Excepted Person) and which, on the occurrence of the Relevant Event, has in issue Relevant Shares.

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

“Excepted Person” means any of:

- (i) the United Kingdom Government;
- (ii) any agency of the United Kingdom Government;
- (iii) any person or entity (other than a body corporate) controlled by the United Kingdom Government or any such agency referred to in (ii) above; and
- (iv) a body corporate in which the United Kingdom Government and/or any agency of the United Kingdom Government and/or any person or entity referred to in (iii) is (directly or indirectly) the legal or beneficial owner of more than 75 per cent. of the issued Ordinary Shares (or equivalent) or of the votes that may ordinarily be cast at a general meeting of Shareholders (or the like) of such body corporate.

The “New Conversion Condition” shall be satisfied if by not later than seven days following the occurrence of a Relevant Event where the Acquiror is an Approved Entity, LBG shall have entered into arrangements to its satisfaction with the Approved Entity for delivery of Relevant Shares upon a Conversion of the ECNs as provided in this Deed Poll.

“New Conversion Condition Effective Date” means the date with effect from which the New Conversion Condition shall have been satisfied.

“New Conversion Price” means the amount determined in accordance with the following formula:

$$NCP = ECP \times \frac{VWAPRS}{VWAPOS}$$

where:

NCP is the New Conversion Price.

ECP is the Conversion Price in effect on the dealing day immediately prior to the New Conversion Condition Effective Date.

VWAPRS means the average of the Volume Weighted Average Price of the Relevant Shares (translated, if necessary, into pounds sterling at the Prevailing Rate on the relevant dealing day) on each of the 10 dealing days ending on the dealing day prior to the date the Relevant Event shall have occurred (and where references in the definition of “Volume Weighted Average Price” to “Ordinary Shares” shall be construed as a reference to the Relevant Shares and in the definition of “dealing day”, references to the “Relevant Stock Exchange” shall be to the relevant Recognised Stock Exchange).

VWAPOS is the average of the Volume Weighted Average Price of the Ordinary Shares on each of the 10 dealing days ending on the dealing day prior to the date the Relevant Event shall have occurred.

“Non-Qualifying Relevant Event” means a Relevant Event that is not a Qualifying Relevant Event.

“Qualifying Relevant Event” means a Relevant Event where:

- (i) the Acquiror is an Approved Entity; and

- (ii) the New Conversion Condition is satisfied.

“Recognised Stock Exchange” means an EEA Regulated Market or another regulated, regularly operating, recognised stock exchange or securities market in an OECD member state.

A “Relevant Event” shall occur if any person or persons acting in concert (as defined in the Takeover Code of the United Kingdom Panel on Takeovers and Mergers) acquires control of LBG (other than as a result of an Exempt Newco Scheme).

For the purposes of the definition of “Relevant Event”, “control” means:

- (i) where the Acquiror is not an Excepted Person:
- (ii) the acquisition or holding of legal or beneficial ownership of more than 50 per cent. of the issued Ordinary Shares of LBG; or
- (iii) the right to appoint and/or remove all or the majority of the members of the Board of Directors of LBG, whether obtained directly or indirectly and whether obtained by ownership of share capital, contract or otherwise; or
- (iv) where the Acquiror is an Excepted Person, the acquisition or holding of legal or beneficial ownership of 75 per cent. or more of the issued Ordinary Shares of LBG;

and “controlled” shall be construed accordingly.

“Relevant Shares” means ordinary share capital of the Approved Entity that constitutes equity share capital or the equivalent (or depositary or other receipts representing the same) which is listed and admitted to trading on a Recognised Stock Exchange.

9. Procedure for Settlement and Delivery of Ordinary Shares on Conversion

Ordinary Shares to be issued upon a Conversion in respect of the ECNs shall be issued and delivered subject to and as provided below.

10. Fractions

Fractions of Ordinary Shares will not be issued or delivered pursuant to this Deed Poll upon a Conversion and no cash payment will be made in lieu thereof. However, if one or more Conversion Notices and relevant ECNs or Certificates representing the same (in the case of Registered ECNs) are delivered not later than the Notice Cut-off Date such that the Ordinary Shares to be issued or delivered on Conversion of ECNs are to be registered in the same name, the number of Ordinary Shares to be issued or delivered in respect thereof shall be calculated on the basis of the aggregate principal amount of such ECNs to be converted.

Where Ordinary Shares are to be issued to the Relevant Person pursuant to Clause 11.3 below, the number of Ordinary Shares so to be issued and/or delivered shall be calculated on the basis of the aggregate principal amount of the ECNs to be converted in respect of which such issue or delivery is to be made.

11. Procedure for Delivery in respect of a Conversion

11.1 In order to obtain delivery of the relevant Ordinary Shares on a Conversion of the ECNs, the relevant ECN Holder must (a) if the ECNs held by it are in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver a duly completed Conversion Notice, together with the relevant ECNs or Certificates representing the same (in the case of Registered ECNs) to the specified office of any Paying and Conversion Agent at least five business days in the relevant place of delivery prior to

the Conversion Date (the “Notice Cut-off Date”) or (b) if the ECNs held by it are represented by a Global Security or are in definitive form and held through Euroclear or Clearstream, Luxembourg, give a notice to the Issuing, Paying and Conversion Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg prior to the Notice Cut-off Date (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depository for them to the Issuing, Paying and Conversion Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time with the following details: (1) the name of the ECN Holder; (2) the principal amount of ECNs held by it and the subject of the Conversion; (3) the CREST account details or, if on Conversion the Ordinary Shares are not a participating security in CREST, the address to which the Ordinary Shares should be delivered; and (4) such other details as Euroclear or Clearstream, Luxembourg may require. Any reference in this Deed Poll to delivering Conversion Notices and ECNs shall, whilst the ECNs are represented by a Global Security or the relevant ECNs are in definitive form and held through Euroclear or Clearstream, Luxembourg, be construed accordingly.

If such delivery is made or notice is given after the end of normal business hours at the specified office of the relevant Paying and Conversion Agent or on a day which is not a business day in such place, such delivery or notice shall be deemed for all purposes of this Deed Poll to have been made or given on the next following such business day.

- 11.2** Subject as provided herein, the relevant Ordinary Shares will be issued and delivered in accordance with the instructions given in the relevant Conversion Notice, provided the Conversion Notice and the relevant ECNs or the Certificate representing the same (in the case of a Registered ECN) are delivered not later than the Notice Cut-off Date.
- 11.3** If the Conversion Notice and relevant ECNs or the Certificate representing the same (in the case of a Registered ECN) are not delivered to the specified office of a Paying and Conversion Agent on or before the Notice Cut-off Date, then on the Settlement Date, the relevant Ordinary Shares will be issued or delivered to a person (the “Relevant Person”) selected by LBG. LBG shall procure that all of such Ordinary Shares shall be sold by or on behalf of the Relevant Person as soon as reasonably practicable, based on advice from a reputable financial institution, investment or commercial bank or broker selected by LBG and subject to any necessary consents being obtained and to the deduction by or on behalf of the Relevant Person of any amount payable in respect of its liability to taxation and the payment of any capital, stamp, issue, registration and/or transfer taxes and duties (if any) and any fees or costs incurred by or on behalf of the Relevant Person in connection with the issue, allotment and sale thereof, the net proceeds of sale shall as soon as reasonably practicable be distributed rateably to the relevant ECN Holders in accordance with Condition 9 of the ECNs or in such other manner and at such time as LBG shall determine and notify to the ECN Holders.

The amount of such net proceeds of sale payable to a holder pursuant to this Clause 11.3 shall (without prejudice to Clause 4) be treated for all purposes as a good discharge of the obligations of LBG under this Deed Poll in respect of the relevant Conversion.

LBG shall have no liability in respect of the exercise or non-exercise of any discretion or power pursuant to this Clause 11.3 or in respect of any sale of any Ordinary Shares or Additional Ordinary Shares, whether for the timing of any such sale or the price at or manner in which any such Ordinary Shares or Additional Ordinary Shares are sold or the inability to sell any such Ordinary Shares or Additional Ordinary Shares.

- 11.4** Any Conversion Notice shall be irrevocable. Failure properly to complete and deliver a Conversion Notice and deliver the relevant ECNs or the Certificate representing the same in the case of a

Registered ECN may result in such notice being treated as null and void and LBG shall be entitled to effect settlement in accordance with Clause 11.3 above. Any determination as to whether any Conversion Notice has been properly completed and delivered as provided in this Deed Poll shall be made by LBG in its sole discretion and shall be conclusive and binding on the relevant ECN Holders.

12. Taxes and Duties

- 12.1** An ECN Holder or Relevant Person must pay (in the case of the Relevant Person by means of deduction from the net proceeds of sale referred to in Clause 11 above) any taxes and capital, stamp, issue and registration and transfer taxes or duties arising on Conversion (other than any taxes or capital, issue and registration and transfer taxes or stamp duties payable in the United Kingdom in respect of the issue or transfer and delivery of the Ordinary Shares (including any Additional Ordinary Shares) in accordance with a Conversion Notice delivered pursuant to this Deed Poll which shall be paid by LBG) and such ECN Holder or the Relevant Person (as the case may be) must pay (in the case of the Relevant Person, by way of deduction from the net proceeds of sale as aforesaid) all, if any, taxes arising by reference to any disposal or deemed disposal of an ECN or interest therein.
- 12.2** If LBG shall fail to pay any capital, stamp, issue, registration and transfer taxes and duties payable for which it is responsible as provided above, the ECN Holder or Relevant Person, as the case may be, shall be entitled (but shall not be obliged) to tender and pay the same and LBG as a separate and independent stipulation, covenants to reimburse and indemnify on an after tax basis each ECN Holder or Relevant Person, as the case may be, in respect of any payment thereof and any penalties payable in respect thereof.

13. Delivery

- 13.1** LBG will procure that Ordinary Shares to be issued or delivered on a Conversion will be issued or delivered to the holder of the relevant ECNs completing the relevant Conversion Notice or its nominee. Such Ordinary Shares will be deemed to be issued and delivered as of the Conversion Date. Any Additional Ordinary Shares to be issued and delivered pursuant to Clause 4 will be deemed to be issued or delivered as of the relevant Reference Date.
- 13.2** Ordinary Shares will be delivered in uncertificated form through the dematerialised securities trading system operated by Euroclear UK & Ireland Limited, known as CREST, unless at the relevant time the Ordinary Shares are not a participating security in CREST, in which case Ordinary Shares will be delivered in certificated form. Where Ordinary Shares are to be delivered through CREST, they will be delivered to the account specified by the relevant ECN Holder in the relevant Conversion Notice or, as the case may be, as specified by the Relevant Person, on the relevant Settlement Date (or, in the case of Additional Ordinary Shares, not later than seven London business days following the Reference Date). Where Ordinary Shares are to be delivered in certificated form, a certificate in respect thereof will be dispatched by mail free of charge to the relevant ECN Holder or as it may direct in the relevant Conversion Notice or, where Ordinary Shares are to be issued or delivered to the Relevant Person pursuant to Clause 11.3 above, as directed by the Relevant Person (in each case uninsured and at the risk of the relevant recipient) within 28 days following the Conversion Date or, as the case may be, the Reference Date.
- 13.3** The Ordinary Shares will not be available for issue or delivery (i) to, or to a nominee for, Euroclear or Clearstream, Luxembourg or any other person providing a clearance service within the meaning of Section 96 of the Finance Act 1986 of the United Kingdom or (ii) to a person, or nominee or agent for a person, whose business is or includes issuing depositary receipts within the meaning of Section 93 of

the Finance Act 1986 of the United Kingdom, in each case at any time prior to the “abolition day” as defined in Section 111(1) of the Finance Act 1990 of the United Kingdom or (iii) to the CREST account of such a person described in (i) or (ii).

14. Ordinary Shares

The Ordinary Shares (including any Additional Ordinary Shares) issued or delivered on Conversion will be fully paid and non-assessable and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the Conversion Date or, in the case of Additional Ordinary Shares, the relevant Reference Date, except in any such case for any right excluded by mandatory provisions of applicable law, and except that the Ordinary Shares (including any Additional Ordinary Shares) so issued or delivered will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments the record date or other due date for the establishment of entitlement for which falls prior to the Conversion Date or, as the case may be, the relevant Reference Date.

15. Purchase or Redemption of Ordinary Shares

LBG or any Subsidiary of LBG may exercise such rights as it may from time to time enjoy to purchase or redeem or buy back any shares or securities of LBG (including Ordinary Shares) or any depositary or other receipts or certificates representing the same without the consent of ECN Holders.

16. Notices

Where this Deed Poll requires notices to be given to ECN Holders, such notices shall be given in accordance with Condition 17 of the ECNs or in such other manner as notice to ECN Holders is required or permitted to be given pursuant to the ECNs.

17. Covenants

Whilst any ECN remains outstanding, LBG will, save with the approval of an Extraordinary Resolution:

17.1 (other than in connection with a Newco Scheme) not issue or pay up any Securities, in either case by way of capitalisation of profits or reserves, other than:

17.1.1 by the issue of fully paid Ordinary Shares or other Securities to Shareholders and other holders of shares in the capital of LBG which, by their terms, entitle the holders thereof to receive Ordinary Shares or other shares or Securities on a capitalisation of profits or reserves; or

17.1.2 by the issue of Ordinary Shares paid up in full (in accordance with applicable law) and issued wholly, ignoring fractional entitlements, in lieu of the whole or part of a Dividend in cash; or

17.1.3 by the issue of fully paid equity share capital (other than Ordinary Shares) to the holders of equity share capital of the same class and other holders of shares in the capital of LBG which, by their terms, entitle the holders thereof to receive equity share capital (other than Ordinary Shares); or

17.1.4 by the issue of Ordinary Shares or any equity share capital to, or for the benefit of, any employee or former employee, director or executive holding or formerly holding executive office of LBG or any of its Subsidiaries or any associated company or to trustees or nominees to be held for the benefit of any such person, in any such case pursuant to an employee, director or executive share or option scheme whether for all employees, directors, or executives or any one or more of them,

unless, in any such case, the same constitutes a Dividend or otherwise gives rise (or would, but for the provisions of Clause 7 relating to roundings and minimum adjustments or the carry forward of adjustments, give rise) to an adjustment to the Conversion Price;

17.2 not modify the rights attaching to the Ordinary Shares with respect to voting, dividends or liquidation but so that nothing in this Clause 17.2 shall prevent:

17.2.1 any consolidation, reclassification or subdivision of the Ordinary Shares; or

17.2.2 any modification of such rights which is not, in the determination in good faith of an Independent Financial Adviser, materially prejudicial to the interests of the holders of the ECNs; or

17.2.3 without prejudice to any rule of law or legislation (including regulations made under Sections 783, 784(3), 785 and 788 of the Companies Act or any other provision of that or any other legislation), the conversion of Ordinary Shares into, or the issue of any Ordinary Shares in, uncertificated form (or the conversion of Ordinary Shares in uncertificated form to certificated form) or the amendment of the Articles of Association of LBG to enable title to securities (including Ordinary Shares) to be evidenced and transferred without a written instrument or any other alteration to the Articles of Association of LBG made in connection with the matters described in this Clause 17.2 or which is supplemental or incidental to any of the foregoing (including any amendment made to enable or facilitate procedures relating to such matters and any amendment dealing with the rights and obligations of holders of Securities, including Ordinary Shares, dealt with under such procedures); or

17.2.4 any issue of equity share capital or modification of rights attaching to the Ordinary Shares, where prior thereto LBG shall have instructed an Independent Financial Adviser to determine in good faith what (if any) adjustments should be made to the Conversion Price as being fair and reasonable to take account thereof and such Independent Financial Adviser shall have determined either that no adjustment is required or that an adjustment resulting in a decrease in the Conversion Price is required and, if so, the new Conversion Price as a result thereof and the basis upon which such adjustment is to be made and, in any such case, the date on which the adjustment shall take effect (and so that the adjustment shall be made and shall take effect accordingly);

17.3 procure that no Securities (whether issued by LBG or any Subsidiary of LBG or procured by LBG or any Subsidiary of LBG to be issued or issued by any other person pursuant to any arrangement with LBG or any Subsidiary of LBG) issued without rights to convert into, or exchange or subscribe for, Ordinary Shares shall subsequently be granted such rights exercisable at a consideration per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share at the close of business on the last dealing day preceding the date of the first public announcement of the proposed inclusion of such rights unless the same gives rise (or would, but for the provisions of Clause 10 relating to roundings and minimum adjustments or the carry forward of adjustments, give rise) to an adjustment to the Conversion Price and that at no time shall there be in issue Ordinary Shares of differing nominal values, save where such Ordinary Shares have the same economic rights;

17.4 not make any issue, grant or distribution or take or omit to take any other action if the effect thereof would be that, on Conversion, Ordinary Shares could not, under any applicable law then in effect, be legally issued as fully paid;

17.5 not reduce its issued share capital, share premium account, capital redemption reserve, or any uncalled liability in respect thereof, or any non-distributable reserves, except:

- 17.5.1 pursuant to the terms of issue of the relevant share capital; or
- 17.5.2 by means of a purchase or redemption of share capital of LBG to the extent in any such case permitted by applicable law; or
- 17.5.3 as permitted by Sections 610(2) and (3) of the Companies Act; or
- 17.5.4 where the reduction does not involve any distribution of assets to Shareholders; or
- 17.5.5 solely in relation to a change in the currency in which the nominal value of the Ordinary Shares is expressed; or
- 17.5.6 a reduction of its share premium account to facilitate the writing off of goodwill arising on consolidation which requires the confirmation of the Court of Session in Scotland or other court of competent jurisdiction and which does not involve the return to Shareholders, either directly or indirectly, of an amount standing to the credit of the share premium account of LBG and in respect of which LBG shall have tendered to the Court of Session in Scotland or other court of competent jurisdiction such undertaking as it may require prohibiting, so long as any of the ECNs remains outstanding, the distribution (except by way of capitalisation issue) of any reserve which may arise in the books of LBG as a result of such reduction; or
- 17.5.7 to create distributable reserves; or
- 17.5.8 pursuant to a Newco Scheme; or
- 17.5.9 by way of transfer to reserves as permitted under applicable law; or
- 17.5.10 where the reduction is permitted by applicable law and LBG is advised by an Independent Financial Adviser, acting in good faith, that the interests of the ECN Holders will not be materially prejudiced by such reduction; or
- 17.5.11 where the reduction is permitted by applicable law and results in (or would, but for the provisions of Clause 10 relating to roundings or the carry forward of adjustments, result in) an adjustment to the Conversion Price or is otherwise taken into account for the purposes of determining whether such an adjustment should be made,

provided that, without prejudice to the other provisions of these Conditions, LBG may exercise such rights as it may from time to time be entitled pursuant to applicable law to purchase, redeem or buy back its Ordinary Shares and any depositary or other receipts or certificates representing Ordinary Shares without the consent of ECN Holders;

- 17.6 if any offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) Shareholders other than the offeror and/or any associates (as defined in Section 988(1) of the Companies Act)) of the offeror to acquire the whole or any part of the issued Ordinary Shares, or if any person proposes a scheme with regard to such acquisition (other than a Newco Scheme), give notice of such offer or scheme to the ECN Holders at the same time as any notice thereof is sent to the Shareholders (or as soon as practicable thereafter) that details concerning such offer or scheme may be obtained from the specified offices of the Paying and Conversion Agents and, where such an offer or scheme has been recommended by the board of directors of LBG, or where such an offer has become or been declared unconditional in all respects or such scheme has become effective, use all reasonable endeavours to procure that a like offer or scheme is extended to the holders of any Ordinary Shares issued during the period of the offer or scheme arising out of the Conversion and/or to the holders of the ECNs (which like offer or scheme in respect of such ECN Holders shall entitle any such ECN Holders to receive the same type and amount of consideration it

would have received had it held the number of Ordinary Shares to which such ECN Holder would be entitled assuming Conversion in the relevant period);

- 17.7** in the event of an Exempt Newco Scheme, take (or shall procure that there is taken) all necessary action to ensure that, immediately after completion of the Scheme of Arrangement, such amendments are made to this Deed Poll as are necessary to ensure that the ECNs may be converted into or exchanged for ordinary shares or units or the equivalent in Newco *mutatis mutandis* in accordance with and subject to this Deed Poll and the ordinary shares or units or the equivalent of Newco are:
- 17.7.1** admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's EEA Regulated Market; or
- 17.7.2** listed and admitted to trading on another Recognised Stock Exchange;
- 17.8** issue, allot and/or deliver Ordinary Shares upon Conversion subject to and as provided in this Deed Poll;
- 17.9** use all reasonable endeavours to ensure that its issued and outstanding Ordinary Shares and the Ordinary Shares issued upon Conversion shall be admitted to listing and trading on the Relevant Stock Exchange or admitted to listing on another regulated, regularly operating, recognised stock exchange or securities market (and provided always that such Ordinary Shares are listed on a recognised stock exchange for the purposes of Section 1005 of the Income Tax Act 2007);
- 17.10** at all times keep available for issue, free from pre-emptive or other preferential rights, sufficient Ordinary Shares to enable Conversion of the ECNs, and all other rights of subscription and exchange for Ordinary Shares, to be satisfied in full; and
- 17.11** where the provisions of this Deed Poll require or provide for a determination by an Independent Financial Adviser, LBG shall use all reasonable endeavours promptly to appoint an Independent Financial Adviser for such purpose.

18. Modifications, Amendments and Waivers

- 18.1** LBG may, without the consent of ECN Holders or any other person, make any modification or amendment to this Deed Poll: (i) that is in its opinion of a formal, minor or technical nature or is made to correct a manifest or proven error; or (ii) that is in its opinion not materially prejudicial to the interests of the ECN Holders; or (iii) that is approved by an Extraordinary Resolution of the ECN Holders.
- 18.2** The Trustee will have no power to agree to any modification of the Deed Poll on behalf of the ECN Holders.
- 18.3** A memorandum of every such supplemental deed poll shall be endorsed on this Deed Poll.
- 18.4** Any such amendment to this Deed Poll shall be notified by LBG to the ECN Holders in accordance with the Conditions.
- 18.5** Provisions for convening meetings of ECN Holders to consider any matter affecting their interests, including the modification or any waiver by Extraordinary Resolution of ECN Holders of this Deed Poll are contained in the Trust Deed and are deemed to be incorporated herein. An Extraordinary Resolution passed at a meeting of ECN Holders duly convened and held in accordance with the Trust Deed shall be binding upon all the ECN Holders, whether or not present at the meeting and each of the ECN Holders shall be bound to give effect to it accordingly.

19. Enforcement

- 19.1** An ECN Holder may, at its discretion, and without notice institute such proceedings against LBG as it may think fit to enforce any term or condition binding on LBG under this Deed Poll, but may not take any proceedings to enforce any obligation of LBG under or arising from this Deed Poll for the payment of any sum (including any damages awarded for breach of any obligations) other than instituting proceedings for the winding-up of LBG, proving in any winding-up of LBG and/or claiming in any liquidation of LBG. No payment in respect of this Deed Poll (including any damages as aforesaid) may be made by LBG nor will the ECN Holders accept the same, otherwise than during or after a winding-up or liquidation of LBG, unless LBG has given prior written notice to, and received no objection from, the FSA, which LBG shall confirm to the ECN Holders. No remedy against LBG, other than as referred to in this Clause 19 shall be available to the ECN Holders, including for the recovery of amounts owing in respect of any breach by LBG of any of its other obligations under or in respect of this Deed Poll.
- 19.2** In any winding-up or administration of LBG, the claims of ECN Holders (other than to the extent such claims relate to a failure to deliver Ordinary Shares on Conversion) shall be subordinated and rank *mutatis mutandis* as provided in Condition 4(b) of the ECNs as if references therein to the Guarantor were references to LBG and the claims of ECN Holders (to the extent such claims relate to a failure to deliver Ordinary Shares on Conversion) shall be subordinated such that, in such winding-up or administration, the ECN Holders shall be entitled to receive only such amounts (if any) as they would have received if they had been the holders of such Ordinary Shares.
- 19.3** For the avoidance of doubt, the Trustee will have no power of enforcement or otherwise under or in respect of this Deed Poll on behalf of ECN Holders.

20. General

- 20.1** LBG hereby acknowledges and covenants that the benefit of the covenants, obligations and conditions on the part of or binding upon it contained in this Deed Poll shall enure to each and every ECN Holder from time to time and to the Issuers and the Guarantors.
- 20.2** The relevant Issuer, relevant Guarantor(s) and ECN Holders shall be entitled severally to enforce the said covenants, obligations and conditions against LBG (in the case of ECN Holders, insofar as each ECN held by him is concerned), without the need to join any intervening or other ECN Holders or any other person whatsoever in the proceedings for such enforcement.

21. Notices

- 21.1** All notices to the ECN Holders hereunder shall be valid if given in accordance with the Conditions.
- 21.2** Any notice or demand to be given to LBG under this Deed Poll shall be given to it at its address specified above or such other address as shall have been notified to the ECN Holders for the purpose and shall be marked for the attention of Group Funding and Capital Markets Issuance Director, Group Corporate Treasury.

22. Deposit Of Deed Poll

This Deed Poll shall be deposited with the Issuing, Paying and Conversion Agent as of the date hereof. Copies of this Deed Poll shall be available for inspection during usual business hours at the principal office for the time being of the Issuing, Paying and Conversion Agent and at the specified office of each of the other Paying and Conversion Agents.

23. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term of this Deed Poll under the Contracts (Rights of Third Parties) Act 1999.

24. Governing Law

24.1 Governing Law: This Deed Poll and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

24.2 Jurisdiction: The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with this Deed Poll and accordingly any legal action or proceedings arising out of or in connection with this Deed Poll (“Proceedings”) may be brought in such courts. LBG irrevocably submits to the jurisdiction of such courts and waives any objections to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are for the benefit of the ECN Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

USE OF PROCEEDS

The primary motive behind the issue of ECNs is to raise contingent core tier 1 capital. The net proceeds of each issue of ECNs 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 relevant Final Terms.

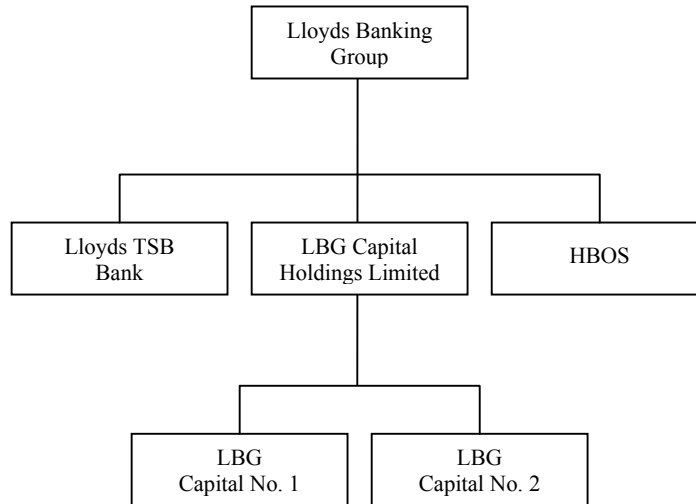
INFORMATION ON THE ISSUERS

Overview

LBG Capital No.1 was incorporated and registered in England on 15 October 2009 with registered number 7045658 as a public company limited by shares. The principal legislation under which LBG Capital No.1 operates is the Companies Act and regulations made thereunder. LBG Capital No.1 is domiciled in the United Kingdom. Its head office is at 25 Gresham Street, London EC2V 7HN (Tel. +44 (0)20 7626 1500).

LBG Capital No.2 was incorporated and registered in England on 15 October 2009 with registered number 7045669 as a public company limited by shares. The principal legislation under which LBG Capital No.2 operates is the Companies Act and regulations made thereunder. LBG Capital No.2 is domiciled in the United Kingdom. Its head office is at 25 Gresham Street, London EC2V 7HN (Tel. +44 (0)20 7626 1500).

Each of LBG Capital No.1 and LBG Capital No.2 is a wholly-owned subsidiary of LBG Capital Holdings Limited, which itself is a wholly-owned subsidiary of Lloyds Banking Group.



Business of the Issuers

The Issuers' principal purpose is to issue the ECNs. Since the date of their incorporation, other than entering into certain contracts in connection with the Exchange Offers, and the issue of ECNs pursuant thereto, the Issuers have not commenced business. Neither of the Issuers has any subsidiaries.

Share Capital of the Issuers

Each Issuer has in issue 50,000 ordinary shares of £1.00 each. Each Issuer has authorised the issue of the ECNs to be issued by it pursuant to the Programme.

Management and Employees

The Issuers have no employees.

Directors

The directors of each of the Issuers, the business address of whom is 10 Gresham Street, London EC2V 7AE, and their principal outside activities, where significant to the Issuers, are as follows:

<i>Name</i>	<i>Principal outside activities</i>
Andrei Magasiner Director	Group Corporate Treasurer, Group Corporate Treasury, Lloyds Banking Group plc Director of LBG Capital Holdings Limited
Edward Short Director	Group Funding and Capital Markets Issuance Director, Group Corporate Treasury, Lloyds Banking Group plc Director of LBG Capital Holdings Limited
Richard Shrimpton Director	Head of Capital Issuance and Structuring, Group Corporate Treasury, Lloyds Banking Group plc Director of LBG Capital Holdings Limited

None of the directors of the Issuers has any actual or potential conflict between his duties to either Issuer and his private interests or other duties as listed above.

Articles of Association

The Issuers' Articles of Association are incorporated by reference into this Prospectus and are available for inspection as set out in "General Information" of this Prospectus. Each of the Issuer's Memorandum of Association is, by virtue of Section 28 of the Companies Act, treated as part of its Articles of Association, including those provisions dealing with each Issuer's objects. Accordingly, the Issuers' objects are unrestricted.

Financial Statements and Auditors' Report

The Issuers will prepare and publish audited financial statements on an annual basis, which will be filed in accordance with English law. The Issuers only intend to prepare audited annual financial statements. As at the date of this Prospectus, neither Issuer has yet prepared any financial statements.

It is anticipated that the Issuers will have an accounting reference date of 31 December with the first fiscal year ending 31 December 2010. The auditors appointed in respect of each Issuer are PricewaterhouseCoopers LLP. PricewaterhouseCoopers LLP is a member firm of the Institute of Chartered Accountants of England and Wales.

The audited annual financial statements will be available free of charge at the offices of the Issuers.

Corporate Governance

Each Issuer complies with the corporate governance regime applicable in England.

INFORMATION ON THE GROUP

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

Legal proceedings

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

The first step in those proceedings was a trial of certain “preliminary” issues concerning the contractual terms relating to unarranged overdraft charges.

On 24 April 2008, the High Court determined, in relation to the then current terms and conditions of the relevant financial institutions (including the Bank and HBOS), that the relevant unarranged overdraft charges are not capable of amounting to penalties but that they are assessable for fairness under the Unfair Terms in Consumer Contracts Regulations 1999 (the “Regulations”). On 23 May 2008, the Bank and HBOS, along with the other relevant financial institutions, were given permission to appeal the finding that unarranged overdraft charges are assessable for fairness. The appeal hearing commenced on 28 October 2008 and concluded on 5 November 2008. On 26 February 2009, the Court of Appeal dismissed the relevant financial institutions’ appeal and held that the unarranged overdraft charges are assessable for fairness. The House of Lords gave the relevant financial institutions permission to appeal this judgment. The hearing before the House of Lords took place from 23 to 25 June 2009.

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

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

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

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

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

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

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

RECENT DEVELOPMENTS

Recent developments of the Group are set out in the section entitled “Recent Developments” on pages 117 to 127 of the US MTN Prospectus, which is incorporated by reference into this Prospectus, save for the first paragraph under the heading “Capital Restructuring Proposals” on page 117. There follows below additional information relating to Capital Restructuring Proposals.

On 3 November 2009 Lloyds Banking Group plc announced proposals intended to meet its current and long-term capital requirements. The rights issue announced by the Group on 3 November 2009 and the Exchange Offers (together, the “Proposals”) are fully underwritten and subject to shareholder approval. They are described in further detail below. The Board believes that the Proposals provide a significantly more attractive alternative to participating in GAPS. On 26 November 2009, the shareholders of Lloyds Banking Group resolved in favour of the Proposals.

HISTORICAL FINANCIAL INFORMATION RELATING TO LLOYDS BANKING GROUP

A. AUDITED FINANCIAL INFORMATION

1. Basis of Financial Information

The financial statements of Lloyds Banking Group included in the consolidated audited Annual Reports and Accounts of Lloyds Banking Group for the financial years ended 31 December 2008, 2007 and 2006, together with the audit reports, are incorporated by reference into this document. The audit reports for the financial years ended 31 December 2008, 2007 and 2006 were unqualified. The financial statements for the years ended 31 December 2008, 2007 and 2006 were prepared in accordance with IFRS.

2. Cross Reference List

The following list is intended to enable investors to identify easily specific items of information which have been incorporated by reference into this Prospectus.

2.1 Financial Statements for the years ended 31 December 2008, 2007 and 2006 (on Form 20-F) and Independent Auditors' Report thereon

The page numbers below refer to the relevant pages of the annual report and accounts of Lloyds Banking Group for the financial year ended 31 December 2008 on Form 20-F:

- Independent Auditors' Report - page F-2;
- Consolidated Income Statement - page F-3;
- Consolidated Balance Sheet - pages F-4 to F-5;
- Consolidated Statement of Changes in Equity - page F-6;
- Consolidated Cash Flow Statement - page F-7; and
- Notes to the Group Accounts - pages F-8 to F-88.

2.2 Financial Statements for the year ended 31 December 2008 and Independent Auditors' Report thereon

The page numbers below refer to the relevant pages of the annual report and accounts of Lloyds Banking Group for the financial year ended 31 December 2008:

- Independent Auditors' Report - page 96;
- Consolidated Income Statement - page 97;
- Consolidated Balance Sheet - pages 98 to 99;
- Consolidated Statement of Changes in Equity - page 100;
- Consolidated Cash Flow Statement - page 101; and
- Notes to the Group Accounts - pages 102 to 181.

2.3 Financial Statements for the year ended 31 December 2007 and Independent Auditors' Report thereon

The page numbers below refer to the relevant pages of the annual report and accounts of Lloyds Banking Group for the financial year ended 31 December 2007:

- Independent Auditors' Report - page 76;
- Consolidated Income Statement - page 77;
- Consolidated Balance Sheet - pages 78 to 79;
- Consolidated Statement of Changes in Equity - page 80;
- Consolidated Cash Flow Statement - page 81; and
- Notes to the Group Accounts - pages 82 to 147.

B. OPERATING AND FINANCIAL REVIEW RELATING TO LLOYDS BANKING GROUP FOR THE YEARS ENDED 31 DECEMBER 2008, 2007 AND 2006 AND SELECTED STATISTICAL AND OTHER INFORMATION

A review of Lloyds Banking Group's financial condition and operating results for the financial years ended 31 December 2008, 2007 and 2006 including selected statistical and other information can be found on pages 14 to 42 of the Company's 2008 Annual Report on Form 20-F and is incorporated by reference into this Prospectus.

A review of Lloyds Banking Group's risk management practices can be found on pages 43 to 79 of the Company's 2008 Annual Report on Form 20-F and is incorporated by reference into this Prospectus.

C. UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial statements of the Group included in the Company's 2009 Interim Statutory Results and the Company's 2008 Interim Statutory Results for the six months ended 30 June 2009 and 2008, together with the independent review reports thereon, are incorporated by reference into this Prospectus. The independent review reports for the six months ended 30 June 2009 and 2008 were unqualified. The condensed set of financial statements for the six months ended 30 June 2009 and 2008 were prepared in accordance with IAS 34.

D. OPERATING AND FINANCIAL REVIEW RELATING TO LLOYDS BANKING GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2009 AND 2008

Operating and Financial Review Relating to Lloyds Banking Group for the six months ended 30 June 2009 and 2008 is set out in Part D of the Section entitled “Historical Financial Information Relating to Lloyds Banking Group” on pages 132 to 143 of the US MTN Prospectus which is incorporated by reference into this Prospectus.

HISTORICAL FINANCIAL INFORMATION RELATING TO THE HBOS GROUP

A. AUDITED FINANCIAL INFORMATION

1. Basis of Financial Information

The financial statements of HBOS included in the consolidated audited annual report and accounts of HBOS for the financial years ended 31 December 2008, 2007 and 2006, together with the audit reports thereon, are incorporated by reference into this document. The audit reports for each of the financial years ended 31 December 2008, 2007 and 2006 were unqualified. The financial statements for the years ended 31 December 2008, 2007 and 2006 were prepared in accordance with IFRS.

2. Cross Reference List

The following list is intended to enable investors to identify easily specific items of information which have been incorporated by reference into this document.

2.1 Financial Statements for the year ended 31 December 2008 and Independent Auditors' Report thereon

The page numbers below refer to the relevant pages of the annual report and accounts of HBOS for the financial year ended 31 December 2008:

- Independent Auditors' Report - page 40;
- Consolidated Income Statement - page 41;
- Consolidated Balance Sheet - pages 42 to 43;
- Consolidated Statement of Recognised Income and Expense - page 44;
- Consolidated Cash Flow Statement - pages 44 to 45; and
- Notes to the Financial Statements - pages 48 to 140.

2.2 Financial Statements for the year ended 31 December 2007 and Independent Auditors' Report thereon

The page numbers below refer to the relevant pages of the annual report and accounts of HBOS for the financial year ended 31 December 2007:

- Independent Auditors' Report - page 152;
- Consolidated Income Statement - page 153;
- Consolidated Balance Sheet - pages 154 to 155;
- Consolidated Statement of Recognised Income and Expense - page 156;
- Consolidated Cash Flow Statement - pages 156 to 157; and
- Notes to the Accounts - pages 160 to 223.

2.3 Financial Statements for the year ended 31 December 2006 and Independent Auditors' Report thereon

The page numbers below refer to the relevant pages of the annual report and accounts of HBOS for the financial year ended 2006:

- Independent Auditors' Report - page 123;
- Consolidated Income Statement - page 124;
- Consolidated Balance Sheet - pages 125 to 126;
- Consolidated Statement of Recognised Income and Expense - page 127;
- Consolidated Cash Flow Statement - pages 127 to 128; and
- Notes to the Accounts - pages 131 to 191.

B. OPERATING AND FINANCIAL REVIEW RELATING TO THE HBOS GROUP

A review of the HBOS Group's financial condition and operating results for the financial years ended 31 December 2008 and 2007 can be found on pages 118 to 161 of the Company's Placing and Compensatory Open Offer Prospectus and is incorporated by reference into this Prospectus.

A review of the HBOS Group's financial condition and operating results for the financial years ended 31 December 2007 and 2006 can be found on pages 73 to 116 of the HBOS Rights Issue Prospectus and is incorporated by reference herein. The results for the years ended 31 December 2007 and 2006 are not directly comparable to the results for the years ended 31 December 2008 and 2007, which are incorporated by reference as stated above, for the reasons stated on pages 119 and 120 of the Company's Placing and Compensatory Open Offer Prospectus under the heading "Overview".

C. HBOS GROUP SELECTED STATISTICAL AND OTHER INFORMATION AND REVIEW

A review of selected statistical and other information relating to the HBOS Group for the financial years ended 31 December 2008, 2007 and 2006 can be found on pages 162 to 167 of the Company's Placing and Compensatory Open Offer Prospectus and is incorporated by reference into this Prospectus.

Following the Acquisition, the HBOS Group has adopted the Group's risk practices. A review of the risk management practices in effect in HBOS during 2008 can be found on pages 168 to 177 of the Company's Placing and Compensatory Open Offer Prospectus and is incorporated by reference into this Prospectus.

CAPITAL RESOURCES

A. LLOYDS BANKING GROUP

Information on the Capital Resources of Lloyds Banking Group is set out in the section entitled “Capital Resources” on pages 148 to 149 of the US MTN Prospectus, which is incorporated by reference into this Prospectus.

B. HBOS GROUP

Cash Flow Analysis

The cash flow analysis of the HBOS Group for the years ended 31 December 2008, 2007 and 2006 can be found on page 180 of the Company's Placing and Compensatory Open Offer Prospectus and is incorporated by reference into this Prospectus.

C. CAPITAL RESOURCES AND LIQUIDITY

Information on the Capital Resources and Liquidity of Lloyds Banking Group is set out in the section entitled “Capital Resources and Liquidity” on pages 151 to 158 of the US MTN Prospectus, which is incorporated by reference into this Prospectus.

DESCRIPTION OF THE ORDINARY SHARES

The following summarises certain provisions of the Articles of Association of Lloyds Banking Group (the “Articles”). This summary does not purport to be complete and is subject to and is qualified in its entirety by reference to the Articles.

As resolved at the annual general meeting of Lloyds Banking Group held on 5 June 2009 and in accordance with changes in company law with effect from 1 October 2009, the Company deleted all provisions of its Memorandum of Association which, by virtue of Section 28 of the Companies Act, are to be treated as part of the Articles, including those provisions dealing with the Company’s objects. Accordingly, the Company’s objects are unrestricted.

Summary of Share Rights

Voting rights

For the purposes of determining which persons are entitled to attend or vote at a meeting and how many votes such persons may cast, Lloyds Banking Group may specify in the notice of the meeting a time, not more than 48 hours before the time fixed for the meeting, by which a person must be entered on the register in order to have the right to attend or vote at the meeting. Every holder of Ordinary Shares who is entitled to be and is present in person (including any corporation by its duly authorised representative) at a general meeting of Lloyds Banking Group and is entitled to vote will have one vote on a show of hands and, on a poll, if present in person or by proxy, will have one vote for every such share held by him, save that a member will not be entitled to exercise the right to vote carried by such shares if he or any person appearing to be interested in the shares held by him has been duly served with a notice under Section 793 of the Companies Act (requiring disclosure of interests in shares) and is in default in supplying Lloyds Banking Group with information required by such notice.

The limited voting shares of 10 pence each in the capital of the Company (the “Limited Voting Shares”) confer the right to receive notice of and to attend and speak at all general meetings of Lloyds Banking Group, but do not confer a right to vote unless the business of the meeting includes the consideration of a resolution:

- (i) to approve an acquisition or disposal by Lloyds Banking Group or any of its subsidiaries in circumstances in which the approval of shareholders in general meeting is either required by virtue of securities of Lloyds Banking Group being listed on a recognised exchange, or is sought by the directors, due to the significance of the transaction;
- (ii) for the winding-up of Lloyds Banking Group; or
- (iii) to vary the rights of the Limited Voting Shares.

In any such case, the holder may vote the Limited Voting Shares only in respect of such resolution and will have the same rights with regard to the number and exercise of votes as a holder of Ordinary Shares but, in the case of a variation in the rights of Limited Voting Shares, shall also have the protection of a requirement for approval of the variation by way of a special resolution at a separate class meeting of the holders of Limited Voting Shares.

Preference shares confer such rights as may be determined by the directors on allotment, but unless the directors otherwise determine, all fully paid preference shares confer identical rights as to voting, capital dividends and otherwise, notwithstanding that they are denominated in different currencies and shall be treated as if they are one single class of shares. There are no limitations imposed by UK law or the Articles of

Lloyds Banking Group restricting the rights of non-residents of the UK or non-citizens of the UK to hold or vote shares of Lloyds Banking Group.

General meetings

Lloyds Banking Group must give at least 21 days' notice in writing of an annual general meeting. All other general meetings may be called by at least 14 days' notice in writing. The directors may make arrangements to regulate the level of attendance at any place specified for the holding of a general meeting and, in any such case, shall direct that the meeting be held at a specified place, where the chairman of the meeting shall preside, and make arrangements for simultaneous attendance and participation by members and proxies at other locations. The chairman of a general meeting has express authority to adjourn the meeting if, in his opinion, it appears impracticable to hold or continue the meeting because of crowding or unruly conduct or because an adjournment is otherwise necessary for the proper conduct of the meeting. Annual general meetings of Lloyds Banking Group are to be held in Edinburgh or such other place in Scotland as the directors shall appoint.

Dividends and other distributions and return of capital

The shareholders in general meeting may by ordinary resolution declare dividends to be paid to members of Lloyds Banking Group, but no dividends shall be declared in excess of the amount recommended by the directors. The directors may pay fixed dividends on any class of shares carrying a fixed dividend and may also from time to time pay dividends, interim or otherwise, on shares of any class. Except in so far as the rights attaching to any shares otherwise provide, all dividends shall be apportioned and paid pro rata according to the amounts paid up thereon. Subject to the rights attaching to any shares, any dividend or other monies payable in respect of a share may be paid in such currency or currencies as the directors may determine using such exchange rates as the directors may select.

The opportunity to elect to receive new Ordinary Shares instead of any cash dividend recommended by the directors may be offered to shareholders provided that the directors shall have obtained in advance the shareholders' approval to do so as required by the Articles.

The Limited Voting Shares do not confer a right to participate in any distribution of profits by way of dividend. For any other distributions, the Limited Voting Shares shall be deemed to confer rights and interests in the profits equally with the holders of Ordinary Shares according to the amounts paid up on such Limited Voting Shares and Ordinary Shares, respectively, otherwise than in advance of calls.

On any distribution by way of capitalisation, the amount to be distributed will be appropriated amongst the holders of Ordinary Shares and Limited Voting Shares in proportion to their holdings of Ordinary Shares and Limited Voting Shares (pro rata to the amount paid up thereon). If the amount to be distributed is applied in paying up in full unissued Ordinary Shares and Limited Voting Shares of Lloyds Banking Group, a shareholder will be entitled to receive bonus shares of the same class as the shares giving rise to his entitlement to participate in the capitalisation.

Any dividend unclaimed after a period of 12 years from the date of declaration of such dividend will be forfeited and revert to Lloyds Banking Group. No dividends or other monies payable on or in respect of a share shall bear interest against Lloyds Banking Group.

On a return of capital, whether in a winding-up or otherwise, the Ordinary Shares and the Limited Voting Shares will rank equally in all respects and the preference shares will be entitled to the rights attaching to them on issue.

Conversion of Limited Voting Shares

Each limited voting share will be converted into an Ordinary Share:

- (i) on the day following the last date on which an amount could become due and payable to a holder of Limited Voting Shares under a deed of covenant in favour of the Lloyds TSB Foundations for England and Wales, Northern Ireland, the Channel Islands and Scotland. A deed of covenant is a legal document which records the obligation of one person to pay a specified sum to another for a specified number of years; or
- (ii) if an offer is made to shareholders (or to all such shareholders other than the offeror and/or any body corporate controlled by the offeror and/or any persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of Lloyds Banking Group and the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of Lloyds Banking Group becomes or is certain to become vested in the offeror and/or any bodies corporate controlled by the offeror and/or any persons acting in concert with the offeror. The publication of a scheme of arrangement under the statutes providing for the acquisition by any person of the whole or part of the ordinary share capital of Lloyds Banking Group shall be deemed to be the making of an offer for this purpose.

The shares resulting from conversion will carry the right to receive all dividends and other distributions declared, made or paid on the ordinary share capital of Lloyds Banking Group by reference to a record date on or after the date of conversion and will rank equally in all other respects and form one class with the ordinary share capital of Lloyds Banking Group then in issue and fully paid.

Holders of Limited Voting Shares will be entitled to participate in any offer made by way of rights to holders of Ordinary Shares as if the Limited Voting Shares had been converted at the relevant record date.

Variation of rights and alteration of capital

Subject to the provisions of the Companies Act, the Uncertificated Securities Regulations 2001 (the “CREST Regulations”) and every other statute for the time being in force or any judgment or order of any court of competent jurisdiction concerning companies and affecting Lloyds Banking Group (the “statutes”), the rights attached to any class of shares for the time being in issue may (subject to their terms of issue) be varied, modified or abrogated with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class. At any such separate meeting, the provisions of the Articles relating to general meetings will apply, but the necessary quorum at any such meeting will be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of that class (except at an adjourned meeting, at which the quorum shall be any holder of shares of the class, present in person or by proxy) and any such person may demand a poll.

However, for so long as the Limited Voting Shares have not been converted (as described above):

- (i) Lloyds Banking Group is prohibited from consolidating or subdividing any of the Ordinary Shares without consolidating or subdividing the Limited Voting Shares in like manner and to a like extent; and
- (ii) Lloyds Banking Group will not create any new class of equity share capital, other than in connection with or pursuant to an employees’ share scheme approved by Lloyds Banking Group in general meeting, provided that the creation of equity share capital which carries (as compared with existing Ordinary Shares) only restricted voting or no voting rights and no greater rights as regards dividends or capital shall not be deemed to be the creation of a new class of equity share capital.

Subject to the provisions of the statutes, Lloyds Banking Group may, by special resolution, reduce its share capital, any capital redemption reserve, share premium account or other undistributable reserve in any way.

Transfer of shares

All transfers of shares which are in certificated form may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors and must be executed by or on behalf of the transferor and, if the shares thereby transferred are not fully paid, by or on behalf of the transferee. The transferor will be deemed to remain the holder of the shares transferred until the name of the transferee is entered in the register of members of Lloyds Banking Group in respect thereof. All transfers of shares which are in uncertificated form may be effected by means of a relevant system.

The directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of shares (not being fully paid shares) provided that, where any such shares are admitted to listing on the Official List, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The directors may also decline to register a transfer unless either:

- (i) the instrument of transfer complies with the requirements of the Articles and the transfer is in respect of only one class of shares; or
- (ii) the transfer is in favour of not more than four persons as the transferee.

The directors shall refuse to register the transfer of any share on which Lloyds Banking Group has a lien and shall refuse to register the transfer of any limited voting share unless the same is:

- (i) between existing holders of Limited Voting Shares;
- (ii) under a scheme established or order made by the Charity Commissioners or by the Court to a transferee having charitable objects;
- (iii) in the course of a winding-up to an institution having charitable objects which prohibit distributions of income and property to members to at least the same extent as is imposed on the transferor by its Memorandum of Association; or
- (iv) at the direction of the Crown to another charity having similar objects.

The Articles otherwise contain no restrictions on the free transferability of fully paid shares.

Lloyds Banking Group's shares are in registered form and the Articles do not provide for bearer shares. The registration of share transfers may be suspended and the register may be closed at such times and for such periods as the directors may determine (not exceeding 30 days in any year), provided that if the shares are traded through an electronic trading system, the register may not be closed without the consent of the operator.

Subject to the statutes and the rules (as defined in the CREST Regulations), the directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of an electronic trading system or that shares of any class should cease to be so held and so transferred.

Disclosure of holdings exceeding certain percentages

The Disclosure and Transparency Rules require holders of Ordinary Shares ("Ordinary Shareholders") to notify Lloyds Banking Group if the voting rights held by such Ordinary Shareholders (including by way of a certain financial instrument) reach, exceed or fall below 3 per cent. and each 1 per cent. threshold thereafter up to 100 per cent. Under the Disclosure and Transparency Rules, certain voting rights in Lloyds Banking Group may be disregarded.

Pursuant to the Companies Act, Lloyds Banking Group may also send a notice to any person whom Lloyds Banking Group knows or believes to be interested in Lloyds Banking Group's shares, requiring that person to confirm whether he has such an interest and, if so, details of that interest.

Under the Articles and UK law, if a person fails to comply with such a notice or provides information that is false in a material particular in respect of any shares (the “default shares”), the directors may serve a restriction notice on such a person. Such a restriction notice will state that the default shares and, if the directors determine, any other shares held by that person shall not confer any right to attend or vote at any general meeting of Lloyds Banking Group.

In respect of a person with a 0.25 per cent. or more interest in the issued shares of the class in question, the directors may direct by notice to such member that, subject to certain exceptions, no transfers of shares held by such person shall be registered and that any dividends or other payments on the shares shall be retained by Lloyds Banking Group pending receipt by Lloyds Banking Group of the information requested by the directors. Certain consequences of the issue of a restriction notice are outlined above.

Mandatory takeover bids, squeeze-out and sell-out rules

Other than as provided by the Companies Act and the City Code on Takeovers and Mergers, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules in relation to the Ordinary Shares.

Untraced members

Lloyds Banking Group is empowered to sell, as the agent of a member, at the best price reasonably obtainable, any share registered in the name of a member remaining untraced for 12 years who fails to communicate with Lloyds Banking Group within three months following the publication of an advertisement of an intention to make such a disposal; provided that during the 12-year period at least three dividends have become payable and no dividend has been claimed.

Lloyds Banking Group shall be obliged to account to the member for the proceeds of the disposal. However, any net proceeds of sale unclaimed after 12 years from the date of sale shall be forfeited and shall revert to Lloyds Banking Group.

Forfeiture and lien

If a member fails to pay in full any call or instalment of a call on or before the due date for payment, then, following notice by the directors requiring payment of the unpaid amount with any accrued interest and any expenses incurred, such share may be forfeited by a resolution of the directors to that effect (including all dividends declared in respect of the forfeited share and not actually paid before forfeiture). A member whose shares have been forfeited will cease to be a member in respect of the shares, but will, notwithstanding the forfeiture, remain liable to pay to Lloyds Banking Group all monies which at the date of forfeiture were presently payable together with interest. The directors may at their absolute discretion enforce payment without any allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal or waive payment in whole or part.

Lloyds Banking Group has a first and paramount lien on every share (not being a fully paid share) for all monies (whether presently payable or not) called or payable at a fixed time in respect of such share, and the directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt from such a lien, either wholly or partially.

A forfeited share becomes the property of Lloyds Banking Group, and it may be sold, reallocated, otherwise disposed of or cancelled as the directors see fit. Any share on which Lloyds Banking Group has a lien may be sold on the terms set out in the Articles. The proceeds of sale shall first be applied towards payment of the amount in respect of the lien insofar as it is still payable and then on surrender of the share certificate for cancellation (in the case of shares in certificated form), to the person entitled to the shares at the time of sale.

Winding-up

If Lloyds Banking Group is wound up, the liquidator may, with the authority of an ordinary resolution, divide amongst the members *in specie* or in kind the whole or any part of the assets of Lloyds Banking Group. The liquidator may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, and the liquidation may be closed and Lloyds Banking Group dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

DIRECTORS, CORPORATE GOVERNANCE AND EMPLOYEES

Information regarding the Directors of the Company and Lloyds TSB Bank (including their business experience and principal business activities outside the Group), corporate governance and employees of the Group is set out in the section entitled “Directors” as set out on page 115 of the US MTN Prospectus (as incorporated by reference into this Prospectus).

The business address of the Directors is 25 Gresham Street, London EC2V 7HN.

In respect of any Director, there are no actual or potential conflicts of interest between any duties they have to the Company or Lloyds TSB Bank and the private interests and/or other duties they may also have.

TAXATION CONSIDERATIONS

United Kingdom

The comments below are of a general nature based on current United Kingdom law and HM Revenue & Customs practice and are not intended to be exhaustive. In particular, save as set out below, these comments do not address the direct tax treatment for a holder of ECNs. They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are the absolute beneficial owners of their ECNs or, as the case may be, Ordinary Shares issued upon Conversion of the ECNs and may not apply to certain classes of persons such as dealers or certain professional investors. Any prospective investors in ECNs who are in doubt as to their own tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom, should consult their professional advisers.

1. UK Withholding Tax

1.1 ECNs

While the ECNs continue to be listed on a recognised stock exchange within the meaning of Section 1005 Income Tax Act 2007, payments of interest on the ECNs by the Issuers may be made without withholding or deduction for or on account of income tax. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List by the United Kingdom Listing Authority and are admitted to trading on the London Stock Exchange.

In other cases, interest on the ECNs will generally be paid under deduction of income tax at the basic rate (currently 20 per cent.), unless another relief applies.

1.2 Ordinary Shares

Lloyds Banking Group is not required to withhold at source any amount in respect of United Kingdom tax when paying a dividend on the Ordinary Shares.

2. Information Sharing

Persons in the United Kingdom (i) paying interest to or receiving interest on behalf of another person who is an individual or (ii) paying amounts due on redemption of the ECNs which constitute “deeply discounted securities” within the meaning of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005, or receiving such amounts on behalf of another person who is an individual may be required to provide certain information to HM Revenue & Customs regarding the identity of the payee or person entitled to the interest and, in certain circumstances, such information may be exchanged with tax authorities in other countries.

3. EU Directive on the Taxation of Savings Income

The EU has adopted a Directive regarding the taxation of savings income. The Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual or to certain other persons in another Member State, except that Austria, Belgium and Luxembourg may instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The

Belgian Council of Ministers has recently announced that measures will be enacted to allow Belgium to switch to the provision of an information system (rather than a withholding system) from 1 January 2010. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

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

4. Stamp Duty and Stamp Duty Reserve Tax

4.1 ECNs

According to HMRC practice, no United Kingdom Stamp Duty or Stamp Duty Reserve Tax (“SDRT”) is payable on the issue or transfer of an ECN or on its redemption.

4.2 Ordinary Shares

Stamp Duty and SDRT on issue

There will be no stamp duty or SDRT on the issue and delivery of Ordinary Shares to holders on conversion of the ECNs into the CREST system for paperless share transfers or in certificated form. Ordinary Shares will not be available for issue or delivery to: (i) a nominee or agent for a person whose business includes issuing depositary receipts within the meaning of section 93 Finance Act 1986 (a “Depositary Receipts System”); (ii) a nominee or agent for a clearance service within the meaning of section 96 Finance Act 1986 (a “Clearance Service”); or (iii) the CREST account of a person described in (i) or (ii) above.

Stamp Duty and SDRT on subsequent transfers

Subject to certain exceptions, any transfer on sale of Ordinary Shares will generally be liable to stamp duty at the rate of 0.5 per cent. (rounded up to the nearest multiple of £5) of the consideration paid. If the consideration paid for a transfer of shares is £1,000 or less and the instrument includes an appropriate certificate, the stamp duty payable will be reduced to nil. An unconditional agreement to transfer such shares will generally be liable to SDRT at the rate of 0.5 per cent. of the consideration paid, but such liability will be cancelled if the agreement is completed by a duly stamped transfer within six years of the agreement having become unconditional.

Transfers of shares within the CREST system are liable to SDRT (at a rate of 0.5 per cent. of the amount or value of the consideration payable) rather than stamp duty, and SDRT on relevant transactions settled within the system or reported through it for regulatory purposes will be collected by CREST.

Where Ordinary Shares are issued or transferred to a nominee or agent for a Clearance Service or Depositary Receipts System stamp duty or SDRT will generally be payable at the higher rate of 1.5 per cent. of the consideration payable or, in certain circumstances, the value of the Ordinary Shares (rounded up to the nearest £5 in the case of stamp duty). However, in its recent judgement in *C-569/07 HSBC Holdings Plc, Vidacos Nominees Limited v The Commissioners of Her Majesty’s Revenue & Customs* (the “HSBC Case”), the ECJ has found that the 1.5 per cent. charge is contrary to EU Community law where shares are issued to a Clearance Service, and HMRC has subsequently indicated that it will not levy the charge on shares issued to a Clearance Service within the EU. The reasoning in the HSBC Case may apply where shares are issued to a Depositary Receipts System,

although this is currently untested in the courts. Any liability for stamp duty or SDRT which does arise will strictly be accountable by the Clearance Service or Depository Receipts System operator or their nominee, as the case may be, but will, in practice, be payable by the participants in the Clearance Service or Depository Receipts System. Under current UK tax legislation, an unconditional agreement to transfer shares within a Depository Receipts System, or within a Clearance Service which has not made an election under section 97A of the Finance Act 1986, will not be subject to SDRT. However, in light of the HSBC Case, HMRC have announced that they will determine whether and how to amend the SDRT rules to ensure movements of shares into and within a Clearance Service bear their fair share of tax, whilst ensuring the rules are compatible with EU community law. The law in this area may therefore be particularly susceptible to change.

No stamp duty or SDRT will arise on the subsequent transfer by a holder of Ordinary Shares held in certificated form into the CREST system provided (i) in the case of SDRT, the transfer is not for money or money's worth and (ii) the shares are not issued or transferred into the CREST account of, or of a nominee for, a Depository Receipts System or the CREST account of, or of a nominee for, a Clearance Service which has not made an election under section 97A of the Finance Act 1986 (subject to the discussion above regarding the impact of the HSBC Case, HMRC's response and potential legislative change).

The statements in this paragraph 4 "Taxation Considerations" are intended as a general guide to the current United Kingdom stamp duty and SDRT position. Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for SDRT under the Stamp Duty Reserve Tax Regulations 1986.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE OF 1986; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUERS IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUERS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

* * * *

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

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

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

LBG believes that the ECNs should be characterised as equity of LBG for U.S. federal income tax purposes. The summary assumes that LBG is not a passive foreign investment company (a “PFIC”) for U.S. federal income tax purposes, which LBG believes to be the case. However, it is possible that the ECNs could be characterised as equity of the relevant Issuer for U.S. federal income tax purposes, and, in turn, there is a risk that the relevant Issuer is or will be a PFIC. U.S. Holders of ECNs characterised as equity of a PFIC

would be subject to adverse U.S. federal income tax consequences. See “Passive Foreign Investment Company Considerations” below. It is also possible that the Dated ECNs could be characterised as debt for U.S. federal income tax purposes. The consequences of this characterisation are described under “Treatment of the Dated ECNs as Debt” below.

The summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the “Code”), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

Bearer ECNs are not being offered to U.S. Holders. To the extent a Bearer Dated ECN is treated as debt for U.S. federal income tax purposes, a U.S. Holder who owns a Bearer Dated ECN may be subject to limitations under the U.S. income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Code.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL HOLDERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING OR DISPOSING OF THE ECNS, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

U.S. Federal Income Tax Characterisation of the ECNs

In general, the U.S. federal income tax consequences to a U.S. Holder who acquires, owns, or disposes of ECNs will depend on the U.S. federal income tax characterisation of the ECNs. The determination of whether an obligation represents debt, equity, or some other instrument or interest is based on all the relevant facts and circumstances. There are no regulations, published rulings or judicial decisions addressing the characterisation for U.S. federal income tax purposes of securities with terms substantially the same as the ECNs and no rulings have or will be sought from the Internal Revenue Service (“IRS”) regarding the characterisation of the ECNs. Under U.S. federal income tax principles, although the matter is not free from doubt, a strong likelihood exists that the ECNs will be treated as equity of LBG. However, alternative characterisations may be possible. For example, the IRS could seek to characterise the Dated or Undated ECNs as equity of the relevant Issuer. Further, the IRS could seek to characterize the Dated ECNs as debt of LBG, or as debt of the relevant Issuer for U.S. federal income tax purposes. U.S. Holders should consult their tax advisers concerning possible alternative characterisations of the ECNs for U.S. federal income tax purposes. LBG and, by acquiring an ECN, each U.S. Holder, agree to treat both the Dated and Undated ECNs as equity of LBG.

Treatment of ECNs as Equity

Assuming the ECNs are properly treated as equity for U.S. federal income tax purposes, payments on and in respect of the ECNs will be treated as described below.

Payments of Interest

General

Subject to the PFIC rules discussed below, if the ECNs are treated as equity of LBG, payments of interest will be treated as distributions paid with respect to shares of LBG’s stock. Distributions paid by LBG out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) will generally be taxable to a U.S. Holder as foreign source dividend income, and will not be eligible for the

dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the ECNs and thereafter as capital gain. However, LBG does not maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that any payment of interest by LBG with respect to ECNs will constitute ordinary dividend income.

For taxable years that begin before 2011, dividends paid by LBG will generally be taxable to a non-corporate U.S. Holder at the special reduced rate normally applicable to long-term capital gains, provided LBG qualifies for the benefits of the income tax treaty between the United States and the United Kingdom (the "Treaty"), which LBG believes to be the case. A U.S. Holder will be eligible for this reduced rate only if it has held the ECNs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date. Interest payments by LBG will not be eligible for the reduced rate if LBG is treated as a PFIC in the year the interest payment is made, or was treated as a PFIC in the preceding taxable year. See "Passive Foreign Investment Company Considerations" below. Further, if the ECNs were treated as equity of the relevant Issuer, dividends paid by the relevant Issuer would not be expected to qualify for the special reduced rate, because the Issuers are not expected to qualify for the benefits of the Treaty.

Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to distributions on the ECNs.

Interest Paid in Foreign Currency

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

Redemption Premium

Dated ECNs will be considered to be issued with "redemption premium" if the excess of the Dated ECN's stated redemption price at maturity over its issue price is equal to or more than a *de minimis* amount (0.25 per cent, of the Dated ECN's stated redemption price at maturity multiplied by the number of complete years to its maturity). Both the amount of redemption premium, as well as the rules under which a U.S. Holder will be required to include this redemption premium in income, will be determined under principles similar to the principles discussed below in "Treatment of Dated ECNs as Debt - Original Issue Discount". This redemption premium will be treated as distributions paid with respect to shares of LBG's stock, as discussed above in "Payments of Interest".

The rules regarding "redemption premium" may also apply to Undated Fixed/Floating Rate ECNs. In the event the relevant Issuer issues Undated Fixed/Floating Rate ECNs the applicable Final Terms may describe the material U.S. federal income tax consequences thereof, including whether the Undated Fixed/Floating Rate ECNs would be treated as issued with redemption premium.

Sale or other Disposition

Subject to the PFIC rules discussed below, upon a sale or other disposition of ECNs, a U.S. Holder generally will recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition and the U.S. Holder's adjusted tax basis in the ECNs. Initially, a U.S. Holder's tax basis for an ECN will equal its U.S. dollar cost. The U.S. dollar cost of an ECN purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase. The amount realised on a sale or other disposition of ECNs for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or disposition. On the settlement date,

the U.S. Holder will recognise U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date.

Any capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in the ECNs exceeds one year. However, regardless of a U.S. Holder's actual holding period, any loss may be long-term capital loss to the extent the U.S. Holder receives a dividend that qualifies for the reduced rate described above under "Payments of Interest - General", and exceeds 5 per cent, of the U.S. Holder's basis in its ECNs. Any gain or loss on a sale or other disposition will generally be U.S. source. If the PFIC rules are applicable, any gain realised on the sale, exchange, redemption or other taxable disposition of an ECN will be treated as an excess distribution and taxed as ordinary income and subject to an additional tax reflecting a deemed interest charge under the special tax rules described below. See "Passive Foreign Investment Company Considerations" below for a discussion of more adverse rules that will apply to a sale or other disposition of ECNs if the ECNs were treated as equity of a PFIC.

Conversion

Provided that the ECNs are treated as equity of LBG, a U.S. Holder's conversion of ECNs into Ordinary Shares as provided in the Terms and Conditions should generally not be a taxable event for U.S. federal income tax purposes, except to the extent attributable to cash received in lieu of a fractional Ordinary Share. A U.S. Holder's basis in Ordinary Shares received upon conversion will generally be the same as the U.S. Holder's basis (exclusive of any tax basis allocable to a fractional Ordinary Share) in the ECNs converted.

Payments of Accrued Conversion Interest will be generally treated as a distribution paid with respect to LBG's stock. See "Treatment of ECNs as Equity - Payments of Interest".

See "Passive Foreign Investment Company Considerations" below if the ECNs were treated as equity of the relevant Issuer for U.S. federal income tax purposes. See "Treatment of Dated ECNs as Debt – Conversion" if the Dated ECNs were treated as debt of LBG or as debt of the relevant Issuer for U.S. federal income tax purposes.

Passive Foreign Investment Company Considerations

A foreign corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules," either (i) at least 75 per cent, of its gross income is "passive income" or (ii) at least 50 per cent, of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. LBG believes that it will not be a PFIC for the current taxable year and does not expect to become a PFIC in any future taxable year. However, a company's possible status as a PFIC must be determined annually (at the end of the taxable year) and may be subject to change.

Further, if the ECNs were treated as equity of the relevant Issuer, the ECNs would be subject to the PFIC rules if the Issuer were treated as a PFIC. Whether an Issuer will be treated as a PFIC depends in large part on whether the interest and dividend income that it recognises from other subsidiaries of the Group is properly allocable to income of those subsidiaries that is not passive income. Although it is not free from doubt, interest income that an Issuer recognises from other subsidiaries of the Group would likely be allocated first to the passive income of those subsidiaries, and on this basis there is a strong likelihood that an Issuer would be treated as a PFIC. However, the Issuers have not and do not intend to determine whether the income they receive will meet these requirements. Accordingly, it is possible that an Issuer may be a PFIC in any year. If the ECNs were to be treated as equity of the relevant Issuer, and the Issuer were treated as a PFIC in any year, U.S. Holders of the ECNs issued by that Issuer would be required (i) to pay a special U.S. addition to tax on certain distributions and gains on sale and (ii) to pay tax on any gain from the sale of ECNs at

ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain. Additionally, distributions paid by the relevant Issuer would not be eligible for the special reduced rate of tax described above under “Payments of Interest”, and any conversion of ECNs into Ordinary Shares as provided in the Terms and Conditions may result in a taxable exchange for U.S. federal income tax purposes the gain on which would be subject to the special additions to tax imposed by the PFIC regime. Prospective purchasers should consult their tax advisers regarding the potential application of the PFIC regime.

Treatment of Dated ECNs as Debt

While a strong likelihood exists that the Dated ECNs will be treated as equity for U.S. federal income tax purposes, and LBG will treat the Dated ECNs as equity for such purposes, as described above in “U.S. Federal Income Tax Characterisation of the ECNs”, it is possible that the IRS could seek to characterise the Dated ECNs as debt for U.S. federal income tax purposes. If the Dated ECNs were treated as debt of LBG or of the relevant Issuer for U.S. federal income tax purposes, payments on and in respect of the Dated ECNs would be treated in the manner described below.

Payments of Interest

General

Interest on a Dated ECN will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the holder’s method of accounting for tax purposes. Interest paid by the Issuer on the Dated ECNs and original issue discount (“OID”), if any, accrued with respect to the Dated ECNs (as described below under “Original Issue Discount”) constitutes income from sources outside the United States. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Dated ECNs.

Original Issue Discount

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

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

Acquisition Premium

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

Fungible Issue

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

Market Discount

A Dated ECN, generally will be treated as purchased at a market discount (a “Market Discount ECN”) if the Dated ECN’s stated redemption price at maturity or, in the case of a Discount ECN, the Dated ECN’s “revised issue price”, exceeds the amount for which the U.S. Holder purchased the Dated ECN by at least 0.25 per cent. of the Dated ECN’s stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Dated ECN’s maturity (or, in the case of a Dated ECN that is an instalment obligation, the Dated ECN’s weighted average maturity). If this excess is not sufficient to cause the Dated ECN to be a Market Discount ECN, then the excess constitutes “*de minimis* market discount”. For this purpose, the “revised issue price” of a Dated ECN generally equals its issue price,

increased by the amount of any OID that has accrued on the Dated ECN and decreased by the amount of any payments previously made on the Dated ECN that were not qualified stated interest payments.

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

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

Variable Interest Rate Dated ECNs

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

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

An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of LBG or the relevant Issuer (or a related party) or that is unique to the circumstances of LBG or the relevant Issuer (or a related party), such as

dividends, profits or the value of LBG or the relevant Issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of LBG or the relevant Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Dated ECN will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Dated ECN's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Dated ECN's term. A "qualified inverse floating rate" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Dated ECN provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Dated ECN's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "current value" of a rate is the value of the rate on any day that is no earlier than 3 months prior to the first day on which that value is in effect and no later than 1 year following that first day.

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

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

replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Dated ECN as of the Variable Interest Rate Dated ECN's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Dated ECN is converted into an “equivalent” fixed rate debt instrument in the manner described above.

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

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

Dated ECNs Purchased at a Premium

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

Election to Treat All Interest as Original Issue Discount

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

Purchase, Sale and Retirement of Dated ECNs

A U.S. Holder’s tax basis in a Dated ECN will generally be its cost, increased by the amount of any OID or market discount included in the U.S. Holder’s income with respect to the Dated ECN and the amount, if

any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder's income with respect to the Dated ECN, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Dated ECN.

A U.S. Holder will generally recognise gain or loss on the sale or retirement of a Dated ECN equal to the difference between the amount realised on the sale or retirement and the tax basis of the Dated ECN. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under "Original Issue Discount — Market Discount" or attributable to changes in exchange rates (as discussed below), gain or loss recognised by a U.S. Holder on the sale or retirement of a Dated ECN will be capital gain or loss and will be long-term capital gain or loss if the Dated ECN was held by the U.S. Holder for more than one year.

Gain or loss realised by a U.S. Holder on the sale or retirement of a Dated ECN generally will be U.S. source. Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of the sale or retirement of Dated ECNs.

Foreign Currency Dated ECNs

Interest

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

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

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

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

OID

OID for each accrual period on a Discount ECN that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same

manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Dated ECN or a sale or disposition of the Dated ECN), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Market Discount

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

Bond Premium

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

Sale or Retirement

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

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

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

exchange rate gain or loss will be realised only to the extent of total gain or loss realised on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest).

Disposition of Foreign Currency

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

Conversion

Debt of LBG

If the Dated ECNs were treated as debt instruments issued by LBG, a U.S. Holder's conversion of Dated ECNs into Ordinary Shares as provided in the Conditions generally will not be a taxable event (except to the extent attributable to cash received in lieu of a fractional Ordinary Share) for U.S. federal income tax purposes, provided that the Dated ECN had a maturity of more than 10 years. A U.S. Holder's basis in Ordinary Shares received upon conversion will generally be the same as the U.S. Holder's basis (exclusive of any tax basis allocable to a fractional Ordinary Share) in the Dated ECNs converted. If the conversion of Dated ECNs into Ordinary Shares were treated as a taxable event, see "Debt of the relevant Issuer" below.

Payments of Accrued Conversion Interest would generally be treated as ordinary income. See "— Treatment of Dated ECNs as Debt-Payments of Interest".

Debt of the relevant Issuer

Although not entirely free from doubt, if the Dated ECNs were treated as debt of the relevant Issuer, the conversion of Dated ECNs into Ordinary Shares pursuant to the Conditions should be treated as a taxable sale or exchange of the Dated ECNs. A U.S. Holder would generally recognise gain or loss on this equal to the difference between the fair market value of Ordinary Shares and other consideration received in exchange for the Dated ECNs and its tax basis in the Dated ECNs. See "Treatment of Dated ECNs as Debt-Sale and Retirement of the Dated ECNs".

Payments of Accrued Conversion Interest would generally be treated as ordinary income. See "— Treatment of Dated ECNs as Debt-Payments of Interest".

Backup Withholding and Information Reporting

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

ERISA CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”) imposes fiduciary standards and certain other requirements on employee benefit plans subject thereto, including collective investment funds, separate accounts, and other entities or accounts whose underlying assets are treated as assets of such plans pursuant to the U.S. Department of Labor “plan assets” regulation, 29 CFR Section 2510.3-101, as modified by Section 3(42) of ERISA (collectively, “ERISA Plans”), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the plan. The prudence of a particular investment will be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan’s particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed in “Risk Factors” and the fact that in the future there may be no market in which the fiduciary will be able to sell or otherwise dispose of the ECNs.

In addition, Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code (together with ERISA Plans, “Plans”)) and certain persons (referred to as “parties in interest” or “disqualified persons”) having certain relationships to such Plans, unless a statutory or administrative exemption applies to the transaction. In particular, a sale or exchange of property or an extension of credit between a Plan and a “party in interest” or “disqualified person” may constitute a prohibited transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes or other liabilities under ERISA and the Code.

While it cannot be free from doubt, for the reasons discussed in “Taxation Considerations: United States”, the ECNs will likely be considered to have substantial equity features under the Plan Assets Regulation and, as a result, could be treated as equity interests in the Group for purposes of ERISA.

The ECN Issuers or the Guarantors, directly or through their affiliates, may be considered a party in interest or disqualified person with respect to many Plans. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if the ECNs are acquired by a Plan with respect to which the Group or an affiliate is a party in interest or a disqualified person, unless the ECNs are acquired pursuant to and in accordance with an applicable exemption. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may apply depending in part on the type of Plan fiduciary making the decision to acquire ECNs and the circumstances under which that decision is made. Included among these exemptions are Prohibited Transaction Class Exemption (“PTCE”) 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a “qualified professional asset manager”), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 95-60 (relating to investments by insurance company general accounts) and PTCE 96-23 (relating to transactions determined by an in-house asset manager). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide a limited exemption for the purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction, and provided further that the Plan pays no more than “adequate consideration” (within the meaning of ERISA Section 408(b)(17) and Section 4975(f)(10) of the Code) in connection with the transaction (the “service provider exemption”). There can be no assurance that any of these exemptions or any other exemption will be available with respect to the issue of ECNs or any other transaction involving the ECNs.

BY ITS ACQUISITION AND HOLDING OF ECNs, EACH HOLDER 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 ACQUISITION AND HOLDING OF ECNs 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 GROUP 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 ACQUISITION OR HOLDING OF THE ECNs, OR AS A RESULT OF ANY EXERCISE BY THE GROUP OR ANY OF ITS AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THE ECNs, AND NO ADVICE PROVIDED BY THE GROUP OR ANY OF ITS AFFILIATES HAS FORMED A PRIMARY BASIS FOR ANY INVESTMENT DECISION BY OR ON BEHALF OF SUCH HOLDER IN CONNECTION WITH THE ECNs AND THE TRANSACTIONS CONTEMPLATED WITH RESPECT TO THE ECNs.

Governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state or other laws that are substantially similar to the foregoing provisions of ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before acquiring ECNs.

Any Plan fiduciary that proposes to cause a Plan to acquire ECNs should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA or the Code.

The transfer of ECNs to a Plan is in no respect a representation by the Group or any of its affiliates that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

SELLING RESTRICTIONS

United States

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

Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time and should be able to bear the risk of loss for all or part of their investment.

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

ECNs in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury Regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

No ECNs of any identifiable Tranche will be offered sold or delivered (i) as part of a distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S), and the relevant Issuer will have sent to each dealer to which it sells ECNs during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the ECNs within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of ECNs within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to an exemption from, or transaction not subject to, the registration requirements under the Securities Act.

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”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) no offer of ECNs which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto will be made to the public in that Relevant Member State except that an offer of such ECNs may, with effect from and including the Relevant Implementation Date, be made to the public in that Relevant Member State:

- (i) if the final terms in relation to the ECNs specify that an offer of those ECNs 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 ECNs which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable;

- (ii) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (iii) at any time to any legal entity which has two or more of (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than €43,000,000 and (c) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (iv) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant dealer or dealers (if applicable) nominated by the relevant Issuer for any such offer; or
- (v) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of ECNs referred to in (ii) to (v) above shall require the relevant Issuer 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 ECNs to the public” in relation to any ECNs 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 ECNs to be offered so as to enable an investor to decide to purchase or subscribe the ECNs, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

- (a) no communication of an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, “FSMA”) in connection with the issue or sale of any ECNs in circumstances in which Section 21(1) of the FSMA applies shall be made otherwise than by an authorised person; and
- (b) all applicable provisions of the FSMA with respect to anything done in relation to any ECNs in, from or otherwise involving the United Kingdom must be complied with.

Japan

The ECNs have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the “Financial Instruments and Exchange Act”). Accordingly, no ECNs may be directly or indirectly, offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

The Netherlands

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

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, no ECNs may be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and this Prospectus or any other document or material may not be circulated or distributed, in connection with the offer or sale, or invitation for subscription or purchase, of such ECNs, 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 ECNs are subscribed or purchased under Section 275 by a relevant person which is:

- (a) a corporation (which is not an accredited investor) (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

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

- (a) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
- (b) where no consideration is or will be given for the transfer; or
- (c) where the transfer is by operation of law.

Hong Kong

- (a) no ECNs will be offered or sold in Hong Kong, by means of any document, 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
- (b) no advertisement, invitation or document relating to the ECNs will be issued 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 ECNs 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.

Belgium

The ECNs may not be distributed in Belgium by way of an offer of securities to the public, as defined in Article 3 §1 of the Belgian Law of 16 June 2006 on public offerings of investment instruments and the admission of investment instruments to trading on regulated markets (the “Prospectus Law”), save in those circumstances set out in Article 3 §2 of the Prospectus Law.

The offering is exclusively conducted under applicable private placement exemptions and therefore it has not been and will not be notified to, and this Prospectus or any other offering material relating to the ECNs has not been and will not be approved by, the Belgian Banking, Finance and Insurance Commission (*Commission bancaire, financière et des assurances/ Commissie voor het Bank-, Financier- en Assurantiewezen*).

Accordingly, the offering may not be advertised and no ECNs may be offered, sold or resold, transferred or delivered, and no memorandum, information circular, brochure or any similar documents have been distributed, or will not be distributed, directly or indirectly, to any individual or legal entity in Belgium other than:

- (a) qualified investors, as defined in Article 10 of the Prospectus Law;
- (b) investors required to invest a minimum of €50,000 (per investor and per transaction);

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

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

France

- (a) Offer to the public in France:

an offer of ECNs to the public in France may only be made on or after the date of notification to the *Autorité des marchés financiers* (“AMF”) of the approval of the prospectus relating to those ECNs by the competent authority of a member state of the European Economic Area, other than the AMF, which has implemented the EU Prospectus Directive 2003/71/EC, all in accordance with Articles L.412-1 and L.621-8 of the French Code *monétaire et financier* and the *Règlement général* of the AMF and ending at the latest on the date which is 12 months after the date of the approval of such prospectus;

(b) Private placement in France:

no ECNs will be sold or offered to be sold, directly or indirectly to the public in France and this Prospectus, the relevant Final Terms or any other offering material relating to the ECNs may not be distributed or caused to be distributed and will not be distributed or cause to be distributed to the public in France, and such offers, sales and distributions have been and will be made in France only to (i) persons providing investment services relating to portfolio management for the account of third parties, and/or (ii) qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French *Code monétaire et financier*.

General

These selling restrictions may be modified by the Issuers following a change in a relevant law, regulation or directive. Any such modification and any additional selling restrictions which will be required to be complied with will be set out in the Final Terms issued in respect of the issue of ECNs to which it relates or in a supplement to this Prospectus.

Other than in the United Kingdom, no action has been taken in any jurisdiction that would permit a public offering of any of the ECNs, or possession or distribution of this Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

The Issuers do not represent that ECNs may at any time lawfully be sold in compliance with any appropriate registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

Any dealer appointed under the Programme (if applicable) will be required to agree, that it will, to the best of its knowledge and belief, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers ECNs or has in its possession or distributes this Prospectus, any other offering material or any Final Terms and, that it will, obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of ECNs under the laws, regulations and directives in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sale or deliveries, and neither the relevant Issuer nor any other dealer (if applicable) shall have responsibility therefor.

TRANSFER RESTRICTIONS

The ECNs have not been and will not be registered under the Securities Act, and the ECNs are being offered and will be issued only to (i) “qualified institutional buyers”, as that term is defined in Rule 144A, in a private transaction in reliance upon an exemption from the registration requirements of the Securities Act for transactions by an issuer not involving a public offering or to (ii) persons other than “U.S. persons”, as that term is defined in Rule 902 under the Securities Act, in offshore transactions in reliance upon Regulation S. The ECNs are not, and will not be, eligible for resale pursuant to Rule 144A.

ECNs Issued in the United States

Each purchaser of ECNs and each owner of any beneficial interest therein who is in the United States or is a U.S. person, will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

- (1) it acknowledges that it is acquiring the ECNs for its own account (or for accounts as to which it exercises sole investment discretion and has authority to make, and does make, the statements contained in this prospectus) and not with a view to any distribution of the ECNs, subject, nevertheless to the understanding that the disposition of its property will at all times be and remain within its control. It acknowledges that it and any such account are qualified institutional buyers as defined in Rule 144A under the Securities Act and are aware, and each beneficial owner of such ECNs has been advised, that the issuance of such ECNs to it is being made in a transaction exempt from registration under the Securities Act;
- (2) it understands and agrees on its own behalf and on behalf of any accounts for which it is acting that the ECNs are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act and the ECNs have not been and will not be registered under the Securities Act;
- (3) it understands that the ECNs will be “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and it agrees that for so long as such securities are “restricted securities” (as so defined), it will not reoffer, resell, pledge or otherwise transfer the ECNs, except (a) to another qualified institutional buyer in a transaction that does not require registration under the Securities Act (it recognises that the ECNs are not eligible for resale pursuant to Rule 144A) or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act (which for the avoidance of doubt, includes a sale over the London Stock Exchange), in each case in accordance with any applicable securities laws of any State of the United States or any other jurisdiction. It understands and acknowledges that the Company shall have the right to force the sale or transfer of any ECNs other than in compliance with the foregoing restrictions on transfer;
- (4) as long as the underlying ordinary shares of Lloyds Banking Group are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, it agrees that they may not be deposited into any unrestricted depository facility established or maintained by any depository bank, including the current American Depositary Receipt (“ADR”) facility maintained by The Bank of New York Mellon, as depository for Lloyds Banking Group’s ADR facility;
- (5) it understands that the ECNs will be in global registered form only and will settle through the facilities of Euroclear and Clearstream, Luxembourg, but not through the facilities of The Depository Trust Company and that no definitive certificates are expected to be made available. The Restricted Global

Certificate, and any definitive certificates made available in the limited circumstances in which definitive certificates can be made available, will bear a legend substantially to the following effect:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, FOR SO LONG AS THE SECURITIES ARE "RESTRICTED SECURITIES" WITHIN THE MEANING OF RULE 144(A)(3) UNDER THE SECURITIES ACT, THE SECURITIES MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (I) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATIONS UNDER THE SECURITIES ACT (RECOGNISING THAT THE ECNs ARE NOT ELIGIBLE FOR RESALE PURSUANT TO RULE 144A) OR (II) TO ANOTHER QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. ALL HOLDERS OF ECNs ARE REQUIRED TO NOTIFY TRANSFEREES OF THE RESTRICTIONS ON TRANSFER AND OTHER LIMITATIONS AND REQUIREMENTS OF HOLDING AN INTEREST IN THE ECNs AND EACH ECN HOLDER IS REQUIRED TO NOTIFY ANY TRANSFEREE TO WHOM IT SUBSEQUENTLY REOFFERS, RESELLS, PLEDGES OR OTHERWISE TRANSFERS THE ECNs OF THE RESTRICTIONS ON TRANSFER AND OTHER LIMITATIONS AND REQUIREMENTS OF HOLDING AN INTEREST IN THE ECNs, ANY SUCH RESTRICTIONS ON TRANSFER AND RESALE CONTAINED IN ANY CLEARING SYSTEM NOTICE OR INSTRUCTION, AND THE TRANSFEREE WILL BE BOUND BY SUCH RESTRICTIONS AND REQUIREMENTS AND WILL NOTIFY ANY SUBSEQUENT TRANSFEREES OF SUCH RESTRICTIONS. THE COMPANY SHALL HAVE THE RIGHT TO FORCE THE SALE OR TRANSFER OF ANY ECNs OTHER THAN IN COMPLIANCE WITH THE RESTRICTIONS ON TRANSFER AND RESALE OF SECURITIES.

- (6) It acknowledges that (a) none of the Issuers, the Guarantors, the Trustee, any dealer (if applicable) or any person acting on behalf of any of the foregoing has made any statement, representation, or warranty, express or implied, to it with respect to the Issuers, the Guarantors or the offer or sale of any ECNs, other than the information the Issuers have included in this Prospectus, and (b) any information it desires concerning the Issuers, the Guarantors and the ECNs or any other matter relevant to its decision to purchase the ECNs (including a copy of this Prospectus) is or has been made available to it;
- (7) it (a) is able to act on its own behalf in the transactions contemplated by this Prospectus, (b) has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its investment in the ECNs and (c) is, and any accounts for which it is acting are, able to bear the economic risk, and sustain complete loss, of such investment in the ECNs;
- (8) all holders of ECNs are required to notify transferees of the restrictions on transfer and other limitations and requirements of holding an interest in the ECNs. It hereby agrees to notify any transferee to whom it subsequently reoffers, resells, pledges or otherwise transfers the ECNs of the restrictions on transfer and other limitations and requirements of holding an interest in the ECNs, including those set forth in paragraphs 3 and 4 above and this paragraph 8, any such restrictions on transfer and resale contained in any clearing system notice or instruction, and the transferee will be bound by such restrictions and requirements and will notify any subsequent transferees of such restrictions;
- (9) it understands and acknowledges that the foregoing representations, warranties, agreements and acknowledgements are requirements in connection with United States and other securities laws and that the Issuers, the Guarantors, their respective affiliates, any dealers and their affiliates, and others

are entitled to rely on the truth and accuracy of the representations, warranties, agreements and acknowledgements contained herein. It agrees that if any of the representations, warranties, agreements and acknowledgements made herein and are no longer accurate, it shall promptly notify the Issuers, the Guarantors and any relevant dealers; and

- (10) it has received, reviewed, acknowledges, accepts and agrees to the terms of the Prospectus and it acknowledges, accepts and agrees that the Prospectus is confidential and may not be forwarded or distributed to any person and may not be reproduced in any manner whatsoever.

ECNs Issued Pursuant to Regulation S

Each purchaser of ECNs and each owner of any beneficial interest therein who is outside the United States and each subsequent purchaser of ECNs pursuant to Regulation S in resales prior to the expiration of the distribution compliance period will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

- (1) It is, or at the time ECNs are issued will be, the beneficial owner of such ECNs and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuers or a person acting on behalf of such an affiliate.
- (2) It understands that the ECNs have not been and will not be registered under the Securities Act and, prior to the expiration of the 40-day distribution compliance period, it will not offer, sell, pledge or otherwise transfer such ECNs except (a) to a qualified institutional buyer in a transaction that does not require registration under the Securities Act or (b) outside the United States to a non-U.S. person (and not acting for the account or benefit of a U.S. person) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any state of the United States.
- (3) It understands that the ECNs which are issued to persons that are not U.S. persons in an “offshore transaction” within the meaning of Regulation S under the Securities Act will be evidenced by an Unrestricted Global Certificate. Prior to the expiration of the 40-day distribution compliance period, before any interest in an Unrestricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Restricted Global Certificate, it will be required to provide a transfer agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.
- (4) It acknowledges that the relevant Issuer, the Registrar, the relevant Guarantor(s), any dealers and their affiliates and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements, and agree that, if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of ECNs is no longer accurate, it shall promptly notify the relevant Issuer, the relevant Guarantor(s) and any dealers. If it is acquiring any ECNs 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 that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.

CLEARING AND SETTLEMENT OF REGISTERED ECNS

Book-Entry Procedures for the Global Certificates

Investors may hold their interests in the Global Certificates directly through Euroclear or Clearstream, Luxembourg, if they are accountholders, as Direct Participants or indirectly as “Indirect Participants” through organisations which are accountholders therein. While the ECNs are represented by one or more Global Certificates, investors will be able to clear and settle their beneficial interests only through Euroclear or Clearstream, Luxembourg.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

The registered ECNs which are issued to persons that are not U.S. persons in an “offshore transaction” within the meaning of Regulation S under the Securities Act will be represented by beneficial interests in Unrestricted Global Certificates cleared through Euroclear or Clearstream, Luxembourg and each will have an ISIN and a Common Code number and will be registered in the name of a nominee for, and deposited with a common depository on behalf of, Euroclear and Clearstream, Luxembourg.

The address of Euroclear is 1 Boulevard du Roi Albert 11, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855, Luxembourg.

The ECNs which are issued in the United States to certain qualified institutional buyers within the meaning of Rule 144A under the Securities Act in a private transaction in reliance on an exemption from the registration requirements of the Securities Act will be represented by beneficial interests in Restricted Global Certificates and will have an ISIN and a Common Code number and will be registered in the name of a nominee for, and deposited with, a common depository on behalf of, Euroclear and Clearstream, Luxembourg.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of an ECN evidenced by a Global Certificate must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for his share of each payment made by the relevant Issuer to the holder of such Global Certificate and in relation to all other rights arising under such Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg (as the case may be). The relevant Issuer expects that, upon receipt of any payment in respect of ECNs evidenced by a

Global Certificate, the common depositary by whom such Global Certificate is held, or nominee in whose name it is registered, will immediately credit the relevant Direct Participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Certificate as shown on the records of the relevant common depositary or its nominee. The relevant Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Certificates held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the relevant Issuer in respect of payments due on the ECNs for so long as the ECNs are evidenced by such Global Certificates, and the obligations of the relevant Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Certificate in respect of each amount so paid. None of the Issuers or any agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Global Certificates

Subject to the rules and procedures of each applicable clearing system, purchases of Global Certificates held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Global Certificates on the clearing system's records. The ownership interest of each actual purchaser of each such Global Certificate will in turn be recorded on the Direct and Indirect Participants' records.

Owners of an interest in a particular principal amount of relevant ECNs, as shown in the records of Euroclear or Clearstream, Luxembourg or its Direct Participants ("Beneficial Owners") will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Global Certificates held within the clearing system will be effected by entries made on the books of Direct Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive definitive certificates representing their ownership interests in such Global Certificates, unless and until interests in any Global Certificate held within a clearing system are exchanged for Definitive Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Global Certificates held within such clearing system, and its records will reflect only the identity of the Direct Participants to whose accounts such Global Certificates 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 the clearing systems 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.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Unrestricted Global Certificate held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Unrestricted Global Certificate held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Secondary market purchases and sales of book-entry interests in the Restricted Global Certificates held through Euroclear or Clearstream, Luxembourg will be subject to (i) the certification procedures provided in the Agency Agreement and (ii) the transfer restrictions set out in this Prospectus and will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

**APPLICABLE FINAL TERMS FOR ISSUES BY THE ISSUERS
WITH A DENOMINATION OF LESS THAN €50,000 (OR EQUIVALENT)
TO BE ADMITTED TO TRADING ON AN EEA REGULATED MARKET AND/OR
OFFERED TO THE PUBLIC ON A NON-EXEMPT BASIS IN THE EUROPEAN
ECONOMIC AREA**

Final Terms dated [●]

[LBG Capital No.1 plc][LBG Capital No.2 plc]

Issue of [Aggregate Nominal Amount of Tranche] [Title of ECNs]
under the £5,000,000,000 Enhanced Capital Note Programme

unconditionally and irrevocably guaranteed by

[Lloyds Banking Group plc]

[and]

[Lloyds TSB Bank plc]

PART A — CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Prospectus dated [date] [and the supplemental Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). This document constitutes the Final Terms of the ECNs described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on [LBG Capital No.1 plc][LBG Capital No.2 plc] [and] [Lloyds TSB Bank plc] [and] [Lloyds Banking Group plc] and the offer of the ECNs is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [Lloyds TSB Bank plc] [Lloyds Banking Group plc] at 25 Gresham Street, London EC2V 7HN.

The following alternative language applies if the first Tranche of an issue which is being increased was issued under a Prospectus with an earlier date. [NON-LONDON LISTED]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated [date]]. This document constitutes the Final Terms of the ECNs described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”) and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [date]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [original date] [and the supplemental Prospectus dated [date]] and are attached hereto. Full information on [LBG Capital No.1 plc][LBG Capital No.2 plc] [and] [Lloyds TSB Bank plc] [and] [Lloyds Banking Group plc] and the offer of the ECNs is only available on the basis of the combination of these Final Terms and the Prospectuses dated [original date] and [current date] [and the supplemental Prospectuses dated [date] and [date]]. The Prospectuses [and the supplemental Prospectuses] are available for viewing at [address] [and] [website] and copies may be obtained from [Lloyds TSB Bank plc] [Lloyds Banking Group plc] at 25 Gresham Street, London EC2V 7HN.

The following alternative language applies if the first Tranche of an issue which is being increased was issued under a Prospectus with an earlier date. [LONDON LISTED]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) contained in the Trust Deed dated [original date] and set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated [date]] and incorporated by reference into the Prospectus dated [current date] and which are attached hereto. This document constitutes the Final Terms of the ECNs described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”) and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [date]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. The Prospectuses [and the supplemental Prospectus] are available for viewing [address] [and] [website] and copies may be obtained from [Lloyds TSB Bank plc] [Lloyds Banking Group plc] at 25 Gresham Street, London EC2V 7HN.

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

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

- | | | |
|----|------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Issuer: | [LBG Capital No.1 plc][LBG Capital No.2 plc] |
| 2 | Guarantor(s): | [Lloyds Banking Group plc][and][Lloyds TSB Bank plc] |
| 3 | [(i)] Series Number: | [●] |
| | [(ii)] Tranche Number: | [●] |
| | <i>(If fungible with an existing Series, details of that Series, including the date on which the ECNs become fungible).]</i> | |
| 4 | Dated/Undated ECNs: | [Dated ECNs/Undated ECNs] |
| 5 | Specified Currency or Currencies: | [●] |
| 6 | Aggregate Nominal Amount: | [●] |
| | [(i)] Series: | [●] |
| | [(ii)] Tranche: | [●] |
| 7 | Issue Price: | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
<i>(In the case of fungible issue only, if applicable)</i> |
| 8 | (i) Specified Denominations: | [●] |
| | (ii) Calculation Amount: | [●] |
| 9 | [(i)] Issue Date: | [●] |
| | [(ii)] Interest Commencement Date: | [●] |
| 10 | Maturity Date: | [Not applicable]/[specify date or (for Floating Rate ECNs) Interest Payment Date falling in or nearest to the relevant month and year] |

- 11 Interest Basis: [● per cent. Fixed Rate] [*specify reference rate*] +/- ● per cent. Floating Rate] [Fixed/Floating Rate] [Other (specify)] (further particulars specified below)
- 12 Redemption/Payment Basis: [Redemption at par] [Other (*specify*)]
- 13 Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of ECNs into another interest or redemption/payment basis*]
- 14 Call Options: [Issuer Call Option/Redemption Due to Taxation/Redemption For Regulatory Purposes] [(further particulars specified below)]
- 15 Status of the ECNs: Subordinated as described in Condition 3(b)
- 16 Status of the Guarantee(s): Subordinated as described in Condition 4(b)
- 17 Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 18 **Fixed Rate ECN Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/semi annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [●] in each year
[N.B. Condition 9(h) (Dated ECNs) or 11(h) (Undated ECNs) will apply if an Interest Payment Date falls on a non-business day]
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
- (v) Day Count Fraction: [●] (*Day count fraction should be Actual/Actual ICMA for all fixed rate issues other than those denominated in U.S. dollars, unless otherwise agreed*)
- (vi) Determination Dates: [●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual-ICMA*)
- (vii) Other terms relating to the method of calculating interest for Fixed Rate ECNs: [Not Applicable/*give details*]
- 19 **Floating Rate ECN Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate for ECNs denominated in euro)
- (i) Interest Period(s): [●]

(ii) Specified Interest Payment Dates:	[●]
(iii) Interest Period Date	[●]
	<i>(Not applicable unless different from Interest Payment Date)</i>
(iv) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
(v) Business Centre(s):	[●]
(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (give details)]
(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing and Paying Agent):	[●]
(viii) Screen Rate Determination:	
– Reference Rate:	[●]
– Interest Determination Date(s):	[●] [TARGET] Business Days [in <i>specify City</i>] [prior to] [the first day in each Interest Accrual Period/each Interest Payment Date]
– Relevant Screen Page:	[●]
– Relevant Time:	[●]
(ix) ISDA Determination:	
– Floating Rate Option:	[●]
– Designated Maturity:	[●]
– Reset Date:	[●]
(x) Margin(s):	[+/-][●] per cent. per annum
(xi) Minimum Rate of Interest:	[●] per cent. per annum
(xii) Maximum Rate of Interest:	[●] per cent. per annum
(xiii) Day Count Fraction:	[●]
(xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate ECNs, if different from those set out in the Conditions	[●]
20 Fixed/Floating Rate ECN Provisions	[Applicable/Not Applicable]
	<i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
(i) Fixed Interest Rate Period:	[Further particulars are specified in Item 18 above]
(ii) Floating Interest Rate Period:	[Further particulars are specified in Item 19 above]

- 21 **Interest on Deferred Interest Payments and Deferred Accrued Conversion Interest** [Yes/No]
(If no, delete the remaining sub-paragraph of this paragraph)
Rate of interest and compounding basis: [[●] per cent./At the then prevailing rate of interest on the ECNs] *[insert details of any compounding]*
- PROVISIONS RELATING TO CONVERSION**
- 22 **Conversion Price** [●]
(subject to adjustment as provided in the Deed Poll)
- PROVISIONS RELATING TO REDEMPTION**
- 23 **Issuer Call Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [●]
(ii) Optional Redemption Amount(s) or method of calculation of such amount(s): [●] per Calculation Amount
- 24 **Redemption Due to Taxation** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
Tax Event Redemption Price: [[●] per Calculation Amount/In the case of any redemption prior to the first Optional Redemption Date, the Make Whole Redemption Price corresponding to the Specified Currency or, in the case of any redemption on or after the first Optional Redemption Date, [●] per Calculation Amount]
- 25 **Redemption For Regulatory Purposes** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
Capital Disqualification Event Redemption Price: [[●] per Calculation Amount/In the case of any redemption prior to the first Optional Redemption Date, the Make Whole Redemption Price corresponding to the Specified Currency or, in the case of any redemption on or after the first Optional Redemption Date, [●] per Calculation Amount]
- 26 **Make Whole Redemption Price** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Applicable Make Whole Redemption Price: [Pounds Sterling/U.S. Dollar/Euro/other (specify)]
(ii) Make Whole Margin: [+/-][●]

- (iii) Make Whole Reference Security: [●]
- 27 **Final Redemption Amount** [Not Applicable][[●] per Calculation Amount/other/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 28 Form of ECNs: Bearer ECNs:
 [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice in the limited circumstances specified in the Permanent Global Note]
 [Temporary Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Temporary Global Note]
 [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- Registered ECNs:
 [Regulation S] [Unrestricted] [Restricted] Global Certificate[s] – Euroclear/Clearstream Luxembourg
- 29 Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraph 19(v) relates]
- 30 Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No] [If yes, give details]
- 31 Redenomination, renominialisation and Reconventioning provisions: [Not Applicable/The provisions annexed to these Final Terms apply]
- 32 Consolidation provisions: [Not Applicable/The provisions in [Condition [16 (Dated ECNs) / 18 (Undated ECNs)]] [annexed to these Final Terms] apply]
- 33 Additional U.S. Federal Tax Considerations: [Not Applicable/give details]
- 34 Other final terms: [Not Applicable/give details]
 (When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)

DISTRIBUTION

- 35 (i) If syndicated, names and addresses of Managers and underwriting commitments: [Not Applicable/give names, addresses and underwriting commitments]
 (Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and

names and addresses of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.)

- (ii) Date of [Subscription] Agreement: [●]
- (iii) Stabilising Manager(s) (if any): [Not Applicable/give name]
- 36 If non-syndicated, name and address of Dealer: [Not Applicable/give name and address]
- 37 Total commission and concession: [●] per cent. of the Aggregate Nominal Amount
- 38 U.S. Selling Restrictions: [Privately placed and not eligible for resale under Rule 144A/Reg S Category 2; TEFRA C/TEFRA D/TEFRA not applicable]
- 39 Non-exempt Offer: [An offer of the ECNs may be made by the Managers [and *specify, if applicable*]] other than pursuant to Article 3(2) of the Prospectus Directive in [*specify relevant Member States(s) – which must be jurisdictions where the Prospectus and any supplements have been passported*] during the period from [*specify date*] until [*specify date*]. [Not Applicable]
- 40 Additional selling restrictions: [Not Applicable/give details]

[LISTING AND ADMISSION TO TRADING APPLICATION]

These Final Terms comprise the final terms required for issue [and] [public offer in the countries specified in paragraph 38] [and] admission to trading of the ECNs described herein pursuant to the £5,000,000,000 Enhanced Capital Note Programme of LBG Capital No.1 plc and LBG Capital No.2 plc

RESPONSIBILITY OF THE ISSUER

[LBG Capital No.1 plc][LBG Capital No.2 plc] accepts responsibility for the information contained in these Final Terms.

[Information on underlying assets] has been extracted from [source]. [LBG Capital No.1 plc][LBG Capital No.2 plc] confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of [LBG Capital No.1 plc][LBG Capital No.2 plc]:

By: [●].....

Duly authorised

RESPONSIBILITY OF THE GUARANTOR

[Lloyds Banking Group plc] [and] [Lloyds TSB Bank plc] accept[s] responsibility for the information contained in these Final Terms.

[Information on underlying assets] has been extracted from [source]. [Lloyds Banking Group plc] [and] [Lloyds TSB Bank plc] confirm[s] that such information has been accurately reproduced and that, so far as [it][each of them] is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

[Signed on behalf of Lloyds Banking Group plc]:

By: [●].....

Duly authorised]

[Signed on behalf of Lloyds TSB Bank plc:

By: [●].....

Duly authorised]

PART B — OTHER INFORMATION

1 Listing

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

2 Ratings

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

3 [Notification

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

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

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement: “Save as discussed in [“Subscription and Sale”], so far as [LBG Capital No.1 plc][LBG Capital No.2 plc] is aware, no person involved in the offer of the ECNs has an interest material to the offer.”]

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

- (i) [Reasons for the offer: [●]
- (See “Use of Proceeds” wording in Prospectus — if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*
- (ii) [Estimated net proceeds: [●]

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

(iii) [Estimated total expenses: [•]

[Include breakdown of expenses.]

6 **[Fixed Rate ECNs only – YIELD**

Indication of yield: [•]

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

7 **[Floating Rate ECNs only –HISTORIC INTEREST RATES**

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

8 **OPERATIONAL INFORMATION**

ISIN Code: [•]

Common Code: [•]

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s) [and addresses/]]

Delivery: Delivery [against/free of] payment

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

9 **TERMS AND CONDITIONS OF THE OFFER**

Offer Period: [[•] to [•]]

Offer Price: [•]

Conditions to which the offer is subject: [Not Applicable/give details]

Description of the application process: [Not Applicable/give details]

Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable/give details]

Details of the minimum and/or maximum amount of application: [Not Applicable/give details]

Details of the method and time limits for paying up and delivering the ECNs: [Not Applicable/give details]

Manner and date in which results of the offer are to be made public: [Not Applicable/give details]

Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable/*give details*]

Categories of potential investors to which the ECNs are offered and whether tranche(s) have been reserved for certain countries: [Not Applicable/*give details*]

Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable/*give details*]

Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable/*give details*]

Name(s) and address(es), to the extent known to [LBG Capital No.1 plc][LBG Capital No.2 plc], of the placers in the various countries where the offer takes place: [None/*give details*]

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

Final Terms dated [●]

[LBG Capital No.1 plc][LBG Capital No.2 plc]

Issue of [Aggregate Nominal Amount of Tranche] [Title of ECNs]
under the £5,000,000,000 Enhanced Capital Note Programme

unconditionally and irrevocably guaranteed by

[Lloyds Banking Group plc]

[and]

[Lloyds TSB Bank plc]

PART A — CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Prospectus dated [date] [and the supplemental Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). This document constitutes the Final Terms of the ECNs described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on [LBG Capital No.1 plc][LBG Capital No.2 plc] [and] [Lloyds TSB Bank plc] [and] [Lloyds Banking Group plc] and the offer of the ECNs is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [Lloyds TSB Bank plc] [Lloyds Banking Group plc] at 25 Gresham Street, London EC2V 7HN.

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date. [NON-LONDON LISTED]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated [date]]. This document constitutes the Final Terms of the ECNs described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”) and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [date]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [original date] [and the supplemental Prospectus dated [date]] and are attached hereto. Full information on [LBG Capital No.1 plc][LBG Capital No.2 plc] [and] [Lloyds TSB Bank plc] [and] [Lloyds Banking Group plc] and the offer of the ECNs is only available on the basis of the combination of these Final Terms and the Prospectuses dated [original date] and [current date] [and the supplemental Prospectuses dated [date] and [date]]. The Prospectuses [and the supplemental Prospectuses] are available for viewing at [address] [and] [website] and copies may be obtained from [Lloyds TSB Bank plc] [Lloyds Banking Group plc] at 25 Gresham Street, London EC2V 7HN.

The following alternative language applies if the first Tranche of an issue which is being increased was issued under a Prospectus with an earlier date. [LONDON LISTED]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) contained in the Trust Deed dated [original date] and set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated [date]] and incorporated by reference into the Prospectus dated [current date] and which are attached hereto. This document constitutes the Final Terms of the ECNs described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”) and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [date]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. The Prospectuses [and the supplemental Prospectus] are available for viewing [address] [and] [website] and copies may be obtained from [Lloyds TSB Bank plc] [Lloyds Banking Group plc] at 25 Gresham Street, London EC2V 7HN.

[The following alternative language applies if ECNs are to be issued to QIBs.]

[THE ECNS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND THE ECNS ARE BEING OFFERED AND WILL BE ISSUED ONLY TO (I) “QUALIFIED INSTITUTIONAL BUYERS”, AS THAT TERM IS DEFINED IN RULE 144A, IN A PRIVATE TRANSACTION IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR TO (II) PERSONS OTHER THAN “U.S. PERSONS”, AS THAT TERM IS DEFINED IN RULE 902 UNDER THE SECURITIES ACT, IN OFFSHORE TRANSACTIONS IN RELIANCE UPON REGULATION S]

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

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

- | | | |
|---|------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Issuer: | [LBG Capital No.1 plc][LBG Capital No.2 plc] |
| 2 | Guarantor(s): | [Lloyds Banking Group plc][and][Lloyds TSB Bank plc] |
| 3 | [(i)] Series Number: | [●] |
| | [(ii)] Tranche Number: | [●] |
| | <i>(If fungible with an existing Series, details of that Series, including the date on which the ECNs become fungible).]</i> | |
| 4 | Dated/Undated ECNs: | [Dated ECNs/Undated ECNs] |
| 5 | Specified Currency or Currencies: | [●] |
| 6 | Aggregate Nominal Amount: | [●] |
| | [(i)] Series: | [●] |
| | [(ii)] Tranche: | [●] |
| 7 | Issue Price: | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
<i>(In the case of fungible issue only, if applicable)</i> |
| 8 | (i) Specified Denominations: | [●] |

- (ii) Calculation Amount: [●]
- 9 [(i)] Issue Date: [●]
- [(ii)] Interest Commencement Date: [●]
- 10 Maturity Date: [Not applicable]/[specify date or (for Floating Rate ECNs) Interest Payment Date falling in or nearest to the relevant month and year]
- 11 Interest Basis: [● per cent. Fixed Rate] [[specify reference rate] +/- ● per cent. Floating Rate] [Fixed/Floating Rate] [Other (specify)] (further particulars specified below)
- 12 Redemption/Payment Basis: [Redemption at par][Other (specify)]
- 13 Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for convertibility of ECNs into another interest or redemption/payment basis]*
- 14 Call Options: [Issuer Call Option/Redemption Due to Taxation/Redemption For Regulatory Purposes] [(further particulars specified below)]
- 15 Status of the ECNs: Subordinated as described in Condition 3(b)
- 16 Status of the Guarantee: Subordinated as described in Condition 4(b)
- 17 Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 18 Fixed Rate ECN Provisions [Applicable/Not Applicable] *(If not applicable, delete the remaining sub paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/semi annually/ quarterly/ monthly] in arrear]
- (ii) Interest Payment Date(s): [●] in each year *[N.B. Condition 9(h) (Dated ECNs) or 11(h) (Undated ECNs) will apply if an Interest Payment Date falls on a non-business day]*
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
- (v) Day Count Fraction: [●] *(Day Count fraction should be Actual/Actual ICMA for all fixed rate issues other than those denominated in U.S. dollars, unless otherwise agreed)*
- (vi) Determination Dates: [●] in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual-ICMA)*

(vii) Other terms relating to the method of calculating interest for Fixed Rate ECNs:	[Not Applicable/ <i>give details</i>]
19 Floating Rate ECN Provisions	[Applicable/Not Applicable]
	<i>(If not applicable, delete the remaining sub paragraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate relevance rate for ECNs denominated in euro)</i>
(i) Interest Period(s):	[●]
(ii) Specified Interest Payment Dates:	[●]
(iii) Interest Period Date:	[●]
	<i>(Not applicable unless different from Interest Payment Date)</i>
(iv) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (<i>give details</i>)]
(v) Business Centre(s):	[●]
(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (<i>give details</i>)]
(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing and Paying Agent):	[●]
(viii) Screen Rate Determination:	
– Reference Rate:	[●]
– Interest Determination Date(s):	[●] <i>[TARGET] Business Days in [specify City] [prior to] [the first day] in each Interest Accrual Period/each Interest Payment Date</i>
– Relevant Screen Page:	[●]
– Relevant Time:	[●]
(ix) ISDA Determination:	
– Floating Rate Option:	[●]
– Designated Maturity:	[●]
– Reset Date:	[●]
(x) Margin(s):	[+/-][●] per cent. per annum
(xi) Minimum Rate of Interest:	[●] per cent. per annum
(xii) Maximum Rate of Interest:	[●] per cent. per annum
(xiii) Day Count Fraction:	[●]

(xiv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate ECNs, if different from those set out in the Conditions:	[●]
20	Interest on Deferred Interest Payments and Deferred Accrued Conversion Interest	[Yes/No]
		<i>(If no, delete the remaining sub-paragraph of this paragraph)</i>
	Rate of interest and compounding basis:	[[●] per cent./At the then prevailing rate of interest on the ECNs] <i>[insert details of any compounding]</i>
21	Fixed/Floating Rate ECN Provisions	[Applicable/Not Applicable]
		<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Fixed Interest Rate Period:	[●]
	(ii) Floating Interest Rate Period:	[●]
	PROVISIONS RELATING TO CONVERSION	
22	Conversion Price	[●]
	<i>(subject to adjustment as provided in the Deed Poll)</i>	
	PROVISIONS RELATING TO REDEMPTION	
23	Issuer Call Option	[Applicable/Not Applicable]
		<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) or method of calculation of such amount(s):	[●] per Calculation Amount
24	Redemption Due to Taxation	[Applicable/Not Applicable]
		<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	Tax Event Redemption Price:	[[●] per Calculation Amount/In the case of any redemption prior to the first Optional Redemption Date, the Make Whole Redemption Price corresponding to the Specified Currency or, in the case of any redemption on or after the first Optional Redemption Date, [●] per Calculation Amount]
25	Redemption For Regulatory Purposes	[Applicable/Not Applicable]
		<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	Capital Disqualification Event Redemption	[[●] per Calculation Amount/In the case of any

- Price: redemption prior to the first Optional Redemption Date, the Make Whole Redemption Price corresponding to the Specified Currency or, in the case of any redemption on or after the first Optional Redemption Date, [●] per Calculation Amount]
- 26 **Make Whole Redemption Price** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Applicable Make Whole Redemption Price [Pounds Sterling/U.S. Dollar/Euro/other (specify)]
- (ii) Make Whole Margin: [+/-][●]
- (iii) Make Whole Reference Security: [●]
- 27 **Final Redemption Amount** [Not Applicable]/[[●] per Calculation Amount/other/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 28 **Form of ECNs:** Bearer ECNs:
 [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice in the limited circumstances specified in the Permanent Global Note]
 [Temporary Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Temporary Global Note]
 [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
 Registered ECNs:
 [Regulation S] [Unrestricted] [Restricted] Global Certificate[s] – Euroclear/Clearstream Luxembourg
- 29 Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraph 19(v) relates]
- 30 Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No] [If yes, give details]
- 31 Redenomination, renominalisation and reconventioning provisions: [Not Applicable/The provisions annexed to these Final Terms apply]
- 32 Consolidation provisions: [Not Applicable/The provisions in [Condition [16 (Dated ECNs) / 18 (Undated ECNs)]] [annexed to these Final Terms] apply]

- 33 Additional U.S. Federal Tax Considerations: [Not Applicable/give details]
 34 Other final terms: [Not Applicable/give details]

(When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)

DISTRIBUTION

- 35 (i) If syndicated, names of Managers: [Not Applicable/give names]
 (ii) Stabilising Manager(s) (if any): [Not Applicable/give names]
 36 If non-syndicated, name of Dealer: [Not Applicable/give names]
 37 U.S. Selling Restrictions: [Privately placed and not eligible for resale under Rule 144A/Reg S Category 2; TEFRA C/TEFRA D/TEFRA not applicable]
 38 Additional selling restrictions: [Not Applicable/give names]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required for issue and admission to trading of the ECNs described herein pursuant to the £5,000,000,000 Enhanced Capital Note Programme of LBG Capital No.1 plc and LBG Capital No.2 plc.

RESPONSIBILITY OF THE ISSUER

[LBG Capital No.1 plc] [LBG Capital No.2 plc] accepts responsibility for the information contained in these Final Terms.

[Information on underlying assets] has been extracted from [Source]. [LBG Capital No.1 plc] [LBG Capital No.2 plc] confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of [LBG Capital No.1 plc][LBG Capital No.2 plc]:

By: [●].....
 Duly authorised

RESPONSIBILITY OF THE GUARANTOR

[Lloyds Banking Group plc] [and] [Lloyds TSB Bank plc] accept[s] responsibility for the information contained in these Final Terms.

[Information on underlying assets] has been extracted from [source]. [Lloyds Banking Group plc] [and] [Lloyds TSB Bank plc] confirm[s] that such information has been accurately reproduced and that, so far as [it][each of them] is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

[Signed on behalf of Lloyds Banking Group plc:

By: [●].....

Duly authorised]

[Signed on behalf of Lloyds TSB Bank plc:

By: [●].....

Duly authorised]

PART B — OTHER INFORMATION

1 LISTING

- (i) Listing: [London/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the ECNs 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 ECNs to be issued have not been rated.]
[The ECNs to be issued have been rated: [S & P: [●]]
[Moody's: [●]]
[[Other]: [●]]]

(The above disclosure should reflect the rating allocated to ECNs of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3 NOTIFICATION

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

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

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement: “Save as discussed in [“Subscription and Sale”], so far as [LBG Capital No.1 plc][LBG Capital No.2 plc] is aware, no person involved in the offer of the ECNs has an interest material to the offer.”]

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

- (i) Reasons for the offer: [●]
(See “Use of Proceeds” wording in Prospectus — if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)

- [(ii)] Estimated net proceeds: [●]
(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

[(iii)] Estimated total expenses: [●]

[Include breakdown of expenses.]

(Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)

6 **[Fixed Rate ECNs only — YIELD**

Indication of yield: [●]

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

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

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

8 **OPERATIONAL INFORMATION**

ISIN Code: [●]

Common Code: [●]

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme (including the Depository Trust Company) and the relevant identification number(s): [Not Applicable/give name(s) and number(s) [and address(es)]]

Delivery: Delivery [against/free of] payment

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

GENERAL INFORMATION

1. Lloyds Banking Group 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 and regulations made thereunder. Lloyds Banking Group 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. Lloyds TSB Bank was incorporated on 20 April 1865 with registered number 2065. Lloyds TSB Bank's registered office is 25 Gresham Street, London EC2V 7HN, England. The telephone number of Lloyds TSB Bank is +44 (0)20 7626 1500. Lloyds TSB Bank is a wholly-owned subsidiary of Lloyds Banking Group.
3. The listing of each Series of ECNs on the Official List will be expressed as a percentage of their principal amount (exclusive of accrued interest). It is expected that each Tranche of ECNs which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a temporary or Permanent Global Note (or one or more Certificates) in respect of each Tranche. The listing of the Programme in respect of the ECNs is expected to be granted on or before 7 December 2009. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the day of the transaction. However, unlisted ECNs may be issued pursuant to the Programme.
4. The establishment of the Programme was authorised by resolutions of the board of directors of LBG Capital No.1 and LBG Capital No.2 passed on 2 November 2009 and 27 November 2009 and the issue of each series of ECNs under the Programme by LBG Capital No.1 and LBG Capital No.2 (as applicable) has been duly authorised by resolutions of the board of directors of LBG Capital No.1 and LBG Capital No.2 passed on 2 November 2009 and 27 November 2009.
5. The giving of the Guarantees under the Programme were authorised by resolutions of the board of directors of Lloyds Banking Group and Lloyds TSB Bank on 2 November 2009 and by a committee of the board of directors of Lloyds Banking Group and Lloyds TSB Bank on 23 November 2009.
6. The ECNs have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records) with a Common Code. The International Securities Identification Number (ISIN) and the Common Code and (where applicable) the identification number for any other relevant clearing system for each series of ECNs will be specified in the relevant Final Terms. The ISIN for the Ordinary Shares is GB008706128.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.
7. Save as disclosed in the section entitled "Legal Actions" on page 112-113 of the US MTN Prospectus, as incorporated by reference into this Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which the 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 and/or the Group.

8. Save as disclosed in the section entitled “Legal Actions” on page 112 - 113 of the US MTN Prospectus, as incorporated by reference into this Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which Lloyds TSB Bank is aware) during the 12 months preceding the date of this Prospectus, which may have or have had in the recent past, significant effects on the financial position or profitability of Lloyds TSB Bank and/or the Lloyds TSB Bank Group.
9. There are no governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which LBG Capital No.1 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 LBG Capital No.1.
10. There are no governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which LBG Capital No.2 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 LBG Capital No.2.
11. There has been no significant change in the financial or trading position of the Group since 30 June 2009, the date to which the Group’s last published financial information was prepared.
12. Save as disclosed in Risk Factor 1.3 in the US MTN Prospectus (as incorporated by reference herein) relating to the European Commission’s review of the State aid given by HM Treasury to the Group, there has been no material adverse change in the prospects of the Group since 31 December 2008.
13. There has been no significant change in the financial or trading position of Lloyds TSB Bank Group since 30 June 2009, the date to which Lloyds TSB Bank Group’s last published financial information was prepared, and save as disclosed in Risk Factor 1.3 in the US MTN Prospectus (as incorporated by reference herein) relating to the European Commission’s review of the State aid given by HM Treasury to the Group, there has been no material adverse change in the prospects of Lloyds TSB Bank Group since 31 December 2008.
14. There has been no significant change in the financial or trading position and no material adverse change in the prospects of LBG Capital No.1 since its incorporation on 15 October 2009.
15. There has been no significant change in the financial or trading position and no material adverse change in the prospects of LBG Capital No.2 since its incorporation on 15 October 2009.
16. The auditors and reporting accountants of Lloyds Banking Group and Lloyds TSB Bank are PricewaterhouseCoopers LLP, which is a member firm of the Institute of Chartered Accountants of England and Wales, and whose address is Erskine House, 68-73 Queen Street, Edinburgh EH2 4NH.
17. **Documents Available for Inspection**

Copies of the following documents:

 - (a) the articles of association of LBG Capital No.1, LBG Capital No.2, Lloyds TSB Bank and Lloyds Banking Group;
 - (b) the annual reports and audited consolidated accounts of the Group for the financial years ended 31 December 2007 and 2008 (and for 2008 only, on Form 20-F);
 - (c) the annual reports and audited accounts of Lloyds TSB Bank for the financial years ended 31 December 2007 and 2008;

- (d) the annual reports and audited consolidated accounts of the HBOS Group for the years ended 31 December 2007 and 2008;
- (e) the Company's 2009 Interim Statutory Results;
- (f) the Trust Deed;
- (g) each Final Terms (save that Final Terms relating to an ECN which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such ECN and such holder must produce evidence satisfactory to the relevant Issuer and the ECN Paying and Conversion Agent as to its holding of ECNs and identity);
- (h) the Agency Agreement;
- (i) the Deed Poll; and
- (j) a copy of this Prospectus together with any supplemental Prospectus or further Prospectus,

are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for so long as ECNs may be issued pursuant to this Prospectus at the registered office of Lloyds Banking Group, The Mound, Edinburgh, EH1 1YZ.

LBG CAPITAL NO.1

LBG Capital No.1 plc
25 Gresham Street
London EC2V 7HN
United Kingdom

LLOYDS TSB BANK

Lloyds TSB Bank plc
25 Gresham Street
London EC2V 7HN
United Kingdom

LBG CAPITAL NO.2

LBG Capital No.2 plc
25 Gresham Street
London EC2V 7HN
United Kingdom

LLOYDS BANKING GROUP

Lloyds Banking Group plc
The Mound
Edinburgh
EH1 1YZ
United Kingdom

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United Kingdom

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London E14 5AL
United Kingdom

REGISTRAR

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