



**LLOYDS TSB GROUP plc**  
*(incorporated in Scotland with limited liability under the Companies Act 1985 with registered number 95000)*

**Private Placement of**  
**U.S.\$3,750,000,000 Extendible Notes (the “Notes”)**  
**(issued as two tranches in the amount of U.S.\$3,250,000,000 on 17 July 2008 (the “Tranche 1 Notes”)**  
**and U.S.\$500,000,000 on 23 July 2008 (the “Tranche 2” Notes))**

This Base Prospectus (the “**Base Prospectus**”) has been approved by the United Kingdom Financial Services Authority (the “**FSA**”) pursuant to Section 87A of the Financial Services and Markets Act 2000 (the “**FSMA**”), which is the competent authority for the purposes of Directive 2003/71/EC (the “**Prospectus Directive**”) and relevant implementing measures in the United Kingdom, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to Lloyds TSB Group plc (the “**Issuer**”), its subsidiaries and affiliates taken as a whole (the “**Lloyds TSB Group**” or the “**Group**”) and the Notes.

Application has been made to the FSA in its capacity as competent authority under the FSMA (the “**UK Listing Authority**”) for the Notes, and any New Notes (as defined herein) to be listed within 12 months of the date of this Base Prospectus, to be admitted to the official list of the UK Listing Authority (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Notes and New Notes to be admitted to trading on the London Stock Exchange’s Regulated Market (the “**Market**”). References in this Base Prospectus to Notes and New Notes being “listed” (and all related references) shall mean that such Notes and/or New Notes have been admitted to the Official List and have been admitted to trading on the Market.

The Issuer shall update this Base Prospectus annually for the purpose of listing any New Notes on or after 24 July 2009. If the relevant New Note Final Terms (as defined herein) in respect of the issue of any New Notes (as defined herein) specify that such New Notes will be listed on the Official List and admitted to trading on the Market, application will be made to the UK Listing Authority for such New Notes to be admitted to the Official List and to the London Stock Exchange for such New Notes to be admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

This Base Prospectus, which includes the documents incorporated by reference, constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive. This Base Prospectus should be read in conjunction with any documents incorporated by reference herein.

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

The date of this Base Prospectus is 24 July 2008.

THE DISTRIBUTION OF THIS BASE PROSPECTUS AND THE OFFERING OR SALE OF THE NOTES AND THE NEW NOTES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. PERSONS INTO WHOSE POSSESSION THIS BASE PROSPECTUS COMES ARE REQUIRED BY THE ISSUER AND THE PLACEMENT AGENTS (AS DEFINED BELOW) TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY SUCH RESTRICTION.

THE NOTES DESCRIBED HEREIN HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR ANY OTHER APPLICABLE SECURITIES LAW, AND OFFERS AND SALES THEREOF MAY BE MADE ONLY IN COMPLIANCE WITH AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER WILL BE DEEMED TO REPRESENT THAT IT HAS BEEN AFFORDED AN OPPORTUNITY TO INVESTIGATE MATTERS RELATING TO THE ISSUER AND THE NOTES, THAT IT IS NOT ACQUIRING SUCH NOTE WITH A VIEW TO ANY DISTRIBUTION THEREOF AND THAT IT IS A QUALIFIED INSTITUTIONAL BUYER (“QIB”) WITHIN THE MEANING OF RULE 144A UNDER THE ACT THAT IS ACQUIRING NOTES FOR ITS OWN ACCOUNT OR FOR ONE OR MORE ACCOUNTS, EACH OF WHICH IS A QIB AND WITH RESPECT TO EACH OF WHICH THE PURCHASER HAS SOLE INVESTMENT DISCRETION; AND THE PURCHASER ACKNOWLEDGES THAT IT IS AWARE THAT THE SELLER MAY RELY UPON THE EXEMPTION FROM THE REGISTRATION PROVISIONS OF SECTION 5 OF THE ACT PROVIDED BY RULE 144A. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER THEREOF SHALL ALSO BE DEEMED TO AGREE THAT ANY RESALE OR OTHER TRANSFER THEREOF WILL BE MADE ONLY (A) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE ACT AND ANY OTHER APPLICABLE SECURITIES LAWS, EITHER (1) TO THE ISSUER OR TO GOLDMAN, SACHS & CO. OR MORGAN STANLEY & CO. INCORPORATED OR ANOTHER PERSON DESIGNATED BY THE ISSUER AS A PLACEMENT AGENT FOR THE NOTES (COLLECTIVELY, THE “PLACEMENT AGENTS”), NONE OF WHICH SHALL HAVE ANY OBLIGATION TO ACQUIRE SUCH NOTE, (2) THROUGH A PLACEMENT AGENT TO A QIB, OR (3) TO A QIB IN A TRANSACTION THAT MEETS THE REQUIREMENTS OF RULE 144A AND (B) IN MINIMUM AMOUNTS OF U.S.\$250,000 AND INTEGRAL MULTIPLES OF \$1,000 IN EXCESS THEREOF.

By its purchase of a Note or a New Note, the purchaser has represented and agreed that (i) it has knowledge and experience (or is a fiduciary or agent with sole investment discretion having such knowledge and experience) in financial and business matters and it (or such fiduciary or agent) is capable of evaluating the merits and risks of investing in the Notes or the New Notes, as the case may be; (ii) it has had access to such information as the purchaser deems necessary in order to make an informed investment decision; (iii) although a Placement Agent may repurchase Notes or New Notes, as the case may be, such Placement Agent is not obligated to do so, and accordingly, the purchaser should be prepared to hold such Note or New Note, as the case may be, until the Maturity Date (as defined herein); (iv) it has had the opportunity to ask questions of, and receive answers from the Issuer; (v) it acknowledges that no Placement Agent has verified any of the information contained or referred to in the Offering Memoranda dated 10 July 2008 and 18 July 2008 (together, the “Offering Memoranda”) and makes no representation of any kind as to the accuracy or completeness of such information; and (vi) it understands that each Note and New Note will bear a legend substantially as set forth in capital letters above.

The Issuer (the “Responsible Person”) accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

No person is or has been authorised to give any information or to make any representation in connection with the offering of the Notes or the New Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Placement Agents. This Base Prospectus has been prepared primarily for listing purposes and is not to be used in connection with the offering of the Notes or the New Notes. Neither the delivery of this Base Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Lloyds TSB Group since the date hereof. Neither this Base Prospectus nor any information supplied in connection with the offering of the Notes or the New Notes, as the case may be (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 Issuer or the Placement Agents that any recipient of this Base Prospectus or any information supplied in connection with the offering of the Notes or the New Notes should purchase any Notes or New Notes, as the case may be. Each investor contemplating purchasing any Notes or New Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the offering of the Notes or the New Notes constitutes an offer of, or an invitation by or on behalf of the Issuer or Placement Agents to any person to subscribe for or purchase, any Notes or New Notes.

THE NOTES 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 OFFERING OF THE NOTES OR THE ACCURACY OR ADEQUACY OF THE OFFERING MEMORANDA. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

In this Base Prospectus, unless otherwise specified or the context requires otherwise, references to “£”, “pounds” and “sterling” are to pounds sterling and references to “U.S.\$” and “U.S. dollars” are to United States dollars.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, EACH PROSPECTIVE INVESTOR (AND EACH EMPLOYEE, REPRESENTATIVE, OR OTHER AGENT OF EACH PROSPECTIVE INVESTOR) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF THE TRANSACTIONS DESCRIBED IN THIS BASE PROSPECTUS AND ALL MATERIALS OF ANY KIND THAT ARE PROVIDED TO THE PROSPECTIVE INVESTOR RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE (AS SUCH TERMS ARE DEFINED IN TREASURY REGULATION SECTION 1.6011-4). THIS AUTHORISATION OF TAX DISCLOSURE IS RETROACTIVELY EFFECTIVE TO THE COMMENCEMENT OF DISCUSSIONS WITH PROSPECTIVE INVESTORS REGARDING THE TRANSACTIONS CONTEMPLATED HEREIN.

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## DOCUMENTS INCORPORATED BY REFERENCE

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

- the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2006 as set out on pages 62 to 120 of the Issuer's Annual Report and Accounts 2006, together with the audit report thereon;
- the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2007 as set out on pages 76 to 147 of the Issuer's Annual Report and Accounts 2007, together with the audit report thereon, including the information regarding Risk Management set out on pages 36 to 56, which is audited except for such information set out on page 51; and
- the audited information regarding Directors' remuneration set out on pages 70 to 75 of the Issuer's Annual Report and Accounts 2007, together with the audit report thereon,

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

Any information incorporated by reference in the documents listed above does not form part of this Base Prospectus. Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

The Issuer will provide, without charge, to each person to whom a copy of this Base Prospectus has been delivered, upon the oral or written request of such person, a copy of any or all of the documents which are incorporated in whole or in part by reference herein. Written or oral requests for such documents should be directed to the Issuer at its head office set out in paragraph 5 under the heading "General Information" on page 43 of this Base Prospectus.

## RISK FACTORS

*Prospective investors should consider carefully the risks set forth below and the other information contained in this Base Prospectus prior to making any investment decision with respect to the Notes and/or the New Notes. Each of the risks highlighted below could have a material adverse effect on the Issuer's business, operations, financial condition or prospects, which, in turn, could have a material adverse effect on the amount of principal and interest which investors will receive in respect of the Notes and/or the New Notes. In addition, each of the risks highlighted below could adversely affect the trading price of the Notes and/or the New Notes or the rights of investors under the Notes and/or the New Notes and, as a result, investors could lose some or all of their investment.*

*Prospective investors should note that the risks described below are not the only risks the Issuer faces. The Issuer has described only those risks relating to its operations that it considers to be material. There may be additional risks that it currently considers not to be material or of which it is not currently aware, and any of these risks could have the effects set forth above.*

### **Risk Factors relating to Lloyds TSB Group**

Set out below are certain risk factors which could affect Lloyds TSB Group's future results and cause them to be materially different from expected results. Lloyds TSB Group's results could also be affected by competition and other factors. The factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties Lloyds TSB Group's businesses face. For information on Lloyds TSB Group's risk management policies and procedures, see "Lloyds TSB Group plc Annual Report and Accounts 2007 – Risk management" as incorporated by reference.

***Lloyds TSB Group's businesses are subject to inherent risks arising from general and sector specific UK and international economic conditions. The development of adverse conditions in the UK or in other major economies could cause profitability to decline***

Lloyds TSB Group's businesses are subject to inherent risks arising from general and sector specific UK and international economic conditions, which can change the level of demand for, and supply of, Lloyds TSB Group's products and services. A general deterioration in the UK economy could reduce Lloyds TSB Group's profit from its UK financial services businesses. A general deterioration in any other major world economy could also adversely impact Lloyds TSB Group's profitability. See "Lloyds TSB Group plc Annual Report and Accounts 2007 – Risk management – Risk management framework – Principal risks" as incorporated by reference.

***Lloyds TSB Group's businesses are inherently subject to the risk of market fluctuations, which could reduce profitability***

Lloyds TSB Group's businesses are inherently subject to the risk of market fluctuations. The most significant market risks Lloyds TSB Group faces are those that impact the Group's pension schemes, principally equity risk and interest rate risk; adverse market movements would have an effect upon the financial condition of the pension schemes which would be reflected in the Lloyds TSB Group's financial statements. Interest rate risk, foreign exchange risk and credit spread risk arise from banking and trading activities while equity risk is also present in the insurance businesses - these also affect the financial statements. The Group's future earnings could also be affected by depressed asset valuations, such as those resulting from poor market conditions. See "Lloyds TSB Group plc Annual Report and Accounts 2007 – Risk management – Market risk" as incorporated by reference for a discussion of these risks.

***Lloyds TSB Group's businesses are subject to inherent risks concerning counterparty credit quality which could affect the recoverability and value of assets on Lloyds TSB Group's balance sheet***

Lloyds TSB Group's businesses are subject to inherent risks regarding the credit quality of customers and market counterparties. Changes in the credit quality of Lloyds TSB Group's UK and/or international borrowers

and counterparties, or in their behaviour, or arising from systemic risks in the financial systems, could reduce the value of Lloyds TSB Group's assets, and increase allowances for impairment losses. Any change in credit quality, or perceived change thereto, could also change the market prices of marked-to-market assets resulting in Lloyds TSB Group incurring reduced profits or reductions in its reserves. In addition, changes in economic conditions may result in a deterioration in the value of security held against lending exposures and increase the risk of loss in the event of borrower default. See "Lloyds TSB Group plc Annual Report and Accounts 2007 – Risk management – Credit risk" as incorporated by reference.

***Lloyds TSB Group's businesses are subject to inherent risks concerning liquidity which could affect Lloyds TSB Group's ability to meet its financial obligations as they fall due***

Lloyds TSB Group's businesses are subject to risks concerning liquidity, which are inherent in its banking operations, and could affect Lloyds TSB Group's ability to meet its financial obligations as they fall due or to fulfil commitments to lend. Such an impact could arise from events outside of Lloyds TSB Group's control such as market dislocation (for example, the liquidity constraints faced in the second half of 2007 in the structured credit markets) or systemic shocks. See "Lloyds TSB Group plc Annual Report and Accounts 2007 – Risk management – Financial soundness" as incorporated by reference.

***Lloyds TSB Group is subject to the risk that it has insufficient capital resources to meet the minimum required by its regulators***

Lloyds TSB Group is subject to the risk, inherent in all regulated businesses, that it has insufficient capital resources to meet the minimum regulatory capital requirements specified by its regulators; a shortage of available capital would also affect Lloyds TSB Group's ability to continue its organic growth or to pursue acquisition or other strategic opportunities. See "Lloyds TSB Group plc Annual Report and Accounts 2007 – Risk management – Financial soundness" as incorporated by reference.

***Lloyds TSB Group's insurance businesses are subject to inherent risks relating to demographic developments, changing customer behaviour, adverse weather and similar contingencies outside their control. Development of adverse conditions could reduce profitability***

Lloyds TSB Group's insurance businesses are subject to a number of inherent risks including those relating to demographic developments (which include mortality), changing customer behaviour, adverse weather, other contingencies outside its control, and risks arising from reinsurance, both in the UK and overseas. Such contingencies can change the risk profile and profitability of such products and services.

***Adverse experience in the operational risks inherent in Lloyds TSB Group's businesses could have a negative impact on its results***

Operational risks, through inadequate or failed internal processes or from people related or external events, including the risk of fraud and other criminal acts carried out against the Group, are present in Lloyds TSB Group's businesses. Lloyds TSB Group's businesses are dependent on their ability to process accurately and efficiently a high volume of complex transactions across numerous and diverse products and services, in different currencies and subject to a number of different legal and regulatory regimes. Lloyds TSB Group's systems and processes are designed to ensure that the operational risks associated with its activities are appropriately controlled, but Lloyds TSB Group realises that any weakness in these systems could have a negative impact on its results during the affected period. See "Lloyds TSB Group plc Annual Report and Accounts 2007 – Risk management – Operational risk" as incorporated by reference. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Issuer or any relevant company within Lloyds TSB Group will be unable to comply with its obligations as a company with securities admitted to the Official List or as a supervised firm regulated by the FSA (as the case may be).

***Terrorist acts, other acts of war, geopolitical, pandemic or other such events could have a negative impact on the business and results of Lloyds TSB Group***

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

***Lloyds TSB Group's businesses are subject to substantial regulation, and regulatory and governmental oversight. Adverse regulatory developments or changes in government policy could have a significant negative impact on Lloyds TSB Group's results***

Lloyds TSB Group conducts its businesses subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in the UK and the other markets where it operates. Future changes in regulation, fiscal or other policies are unpredictable and beyond the control of Lloyds TSB Group. For additional information, see "Lloyds TSB Group – Regulation".

In addition, in the UK and elsewhere, there is continuing political and regulatory scrutiny of the banking industry and, in particular, retail banking. In the UK, the Competition Commission and the Office of Fair Trading ("OFT") are carrying out several inquiries, which are referred to in "Lloyds TSB Group – Competitive environment".

In recent years there have been several issues in the UK financial services industry in which the FSA has intervened directly, including the sale of personal pensions and the sale of mortgage-related endowments.

The government, FSA or other regulators, in the UK or overseas, may intervene further in relation to the areas of industry risk already identified, or in new areas, which could adversely affect the Lloyds TSB Group.

***Lloyds TSB Group is exposed to various forms of legal and regulatory risk including the risk of mis-selling financial products, acting in breach of legal or regulatory principles or requirements and giving negligent advice, any of which could have a negative impact on its results or its relations with its customers***

Lloyds TSB Group is exposed to many forms of legal and regulatory risk, which may arise in a number of ways. Primarily:

- i) certain aspects of the Lloyds TSB Group's business may be determined by the authorities, the Financial Ombudsman Service ("FOS") or the courts as not being conducted in accordance with applicable laws or, in the case of FOS, with what is fair and reasonable in the Ombudsman's opinion;
- ii) the possibility of alleged mis-selling of financial products which, as a result, may require additional provisions;
- iii) contractual obligations may either not be enforceable as intended or may be enforced against Lloyds TSB Group in an adverse way;
- iv) the intellectual property of Lloyds TSB Group (such as its trade names) may not be adequately protected; and
- v) Lloyds TSB Group may be liable for damages to third parties harmed by the conduct of its business.

In addition, Lloyds TSB Group faces risk where legal or regulatory proceedings or FOS or other complaints are brought against it in the UK High Court or elsewhere, or in jurisdictions outside the UK, including other European countries and the United States. A major focus of US governmental policy relating to financial institutions in recent years has been combating money laundering and terrorist financing and



enforcing compliance with US economic sanctions. Regardless of whether or not any such claims against the Lloyds TSB Group have merit, the outcome of any proceeding or complaint is inherently uncertain and could have a material adverse effect on Lloyds TSB Group's operations and/or financial condition, particularly if extended more broadly. For additional information, see "Lloyds TSB Group – Regulation" and "Lloyds TSB Group – Legal actions".

Although Lloyds TSB Group has policies for the management of legal and regulatory risk, failure to manage these risks adequately could impact Lloyds TSB Group adversely, both financially and reputationally.

***Lloyds TSB Group is exposed to tax risk.***

Tax risk is the risk associated with changes in taxation rates or law, or misinterpretation of the law. This could result in increased charges or financial loss.

Although Lloyds TSB Group devotes considerable resources to managing tax risk, failure to manage this risk adequately could impact Lloyds TSB Group adversely.

***Lloyds TSB Group's businesses are conducted in highly competitive environments. Creation of an appropriate return for shareholders depends upon management's ability to respond effectively to competitive pressures***

The market for UK financial services and the other markets within which Lloyds TSB Group operates are highly competitive, and management expects such competition to intensify in response to consumer demand, technological changes, the impact of consolidation, regulatory actions and other factors, which could result in a reduction in profit. Lloyds TSB Group's ability to generate an appropriate return for its shareholders depends significantly upon the competitive environment and management's response to it. See "Lloyds TSB Group – Competitive environment".

***Lloyds TSB Group is devoting considerable time and resources to securing new customers and generating more business from existing customers. If Lloyds TSB Group is unsuccessful, its organic growth prospects will decline***

Lloyds TSB Group seeks to achieve further organic growth by securing new customers and generating more business from existing customers. Lloyds TSB Group is currently expending significant resources and effort to bring about this growth. If these expenditures and efforts do not meet with success, its operating results would grow more slowly or decline.

***Lloyds TSB Group's strategic plans and related risks***

Lloyds TSB Group devotes considerable management and planning resources to developing strategic plans for organic growth and identifying possible acquisitions which would provide further opportunities for growth. If these strategic plans do not meet with success, Lloyds TSB Group's earnings could grow more slowly or decline.

Lloyds TSB Group's businesses are conducted in a marketplace that is consolidating and significant cross-border mergers and acquisitions may happen in the coming years. Lloyds TSB Group's ability to generate an appropriate return for its shareholders over the long-term may depend upon whether management is able to achieve value creating acquisitions and/or mergers at the appropriate times and prices. Lloyds TSB Group cannot be sure that it will ultimately be able to make such mergers or acquisitions or that if it does, such mergers or acquisitions will be integrated successfully or realise anticipated benefits.

**Risk Factors relating to the Notes and the New Notes**

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes and the New Notes. All of these factors are contingencies which may or may not occur and the Issuer is not

in a position to express a view on the likelihood of any such contingency occurring. The Issuer does not represent that the statements below regarding the risks of holding the Notes and the New Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.

***Liquidity***

Although application has been made for the Notes to be admitted to trading on the London Stock Exchange, and application will be made for the New Notes to be admitted to trading on the London Stock Exchange, there can be no assurance that an active public market for the Notes and/or the New Notes will develop and, if such a market were to develop, the Placement Agents are under no obligation to maintain such a market. The liquidity and the market prices for the Notes and the New Notes can be expected to vary with changes in market and economic conditions, the frequency of elections made to extend the maturity of the Notes by Noteholders, the financial condition and prospects of the Issuer and other factors that generally influence the market prices of securities.

## TERMS OF THE NOTES AND THE NEW NOTES

*The terms of the Notes and the New Notes set out below should be read in conjunction with the terms of the Issuing and Paying Agency Agreement (as defined below).*

- Issuer:** Lloyds TSB Group plc.
- Securities:** Unsecured extendible notes (the “**Notes**”), ranking *pari passu* with the Issuer’s present and future unsubordinated and unsecured indebtedness.
- Exemption:** The Notes are exempt from registration under the Securities Act of 1933, as amended (the “**Act**”), pursuant to Section 4(2) of the Act, and the Notes cannot be resold unless registered or an exemption from registration is available.
- Principal Amount:** U.S.\$3,750,000,000.
- Offering Price:** 100% of the principal amount of the Notes plus, in the case of the Tranche 2 Notes only, 6 days’ accrued interest from and including 17 July 2008, to but excluding 23 July 2008.
- Denominations:** U.S.\$250,000 and integral multiples of U.S.\$1,000 in excess thereof.
- Original Issue Date:** In the case of the Tranche 1 Notes, 17 July 2008, and in the case of the Tranche 2 Notes, 23 July 2008.
- Initial Maturity Date:** 7 August 2009, or if such day is not a Business Day (as defined below), the immediately preceding Business Day (the “**Initial Maturity Date**”).
- Final Maturity Date:** 7 August 2013, or if such day is not a Business Day, the immediately preceding Business Day (the “**Final Maturity Date**”).
- Extension of Maturity of the Notes; Election to Extend the Maturity of the Notes:** A holder of notes (a “**Noteholder**”) may elect to extend the maturity of all of its Notes or of any portion thereof having a principal amount of U.S.\$250,000 or any multiple of U.S.\$1,000 in excess thereof; provided that, in the case of a partial election, the principal amount of Notes for which a Noteholder does not make the election is not less than U.S.\$250,000. To make the election effective on any Election Date (as defined below), a Noteholder must deliver a notice of election (the “**Notice of Election**”) during the Notice Period (as defined below) for that Election Date. The Notice Period for each Election Date will begin on the fifth Business Day prior to the Election Date and end on the Election Date (the “**Notice Period**”); provided, however, that if that Election Date is not a Business Day, the Notice Period will be extended to the following Business Day. The Notice of Election must be delivered to the Issuing and Paying Agent through the normal clearing system channels described in more detail below, no later than 12:00 noon (New York City time) on the last Business Day in the Notice Period relating to the applicable Election Date. Upon delivery to the Issuing and Paying Agent of a Notice of Election to extend the maturity of the Notes or any portion thereof (in the authorised denomination) during any Notice Period, that election will be revocable during each day of such Notice Period until 12:00 noon (New York City time) on the last Business Day in the Notice Period relating to the applicable Election Date, at which time such Notice of Election will become irrevocable. In no event will the maturity of the Notes be extended beyond the Final Maturity Date.
- If, with respect to any Election Date, a Noteholder does not elect to extend the maturity of all or any portion (in the authorised denomination) of the principal amount of its Notes, the principal amount of the Notes for which it has failed to make such an election (the “**Maturing Notes**”) will become due and

payable on the Initial Maturity Date or any later date to which the maturity of such Maturing Notes had previously been extended. The principal amount of the Maturing Notes will be represented by new notes (the “**New Notes**”) deemed to be issued on the last Business Day of the applicable Notice Period (the “**New Note Issue Date**”).

The New Notes so issued will have the same terms as the Notes, except that the New Notes will not be extendible, will have separate CUSIP and ISIN numbers and the maturity date of the New Notes will be the Initial Maturity Date or the later date to which the maturity of the Maturing Notes had previously been extended, all as set out in the relevant New Note Final Terms (the form of which are attached to this Base Prospectus). The Issuer shall update this Base Prospectus annually for the purpose of listing any New Notes on or after 24 July 2009. If the relevant New Note Final Terms specify that such New Notes will be listed on the Official List and admitted to trading on the Market, application will be made to the UK Listing Authority for such New Notes to be admitted to the Official List and to the London Stock Exchange for such New Notes to be admitted to trading on the Market. The failure to elect to extend the maturity of all or any portion of the Notes will be irrevocable and will be binding upon any subsequent holder of such Notes or New Notes.

The Notes will be issued in the form of a Master Note (a “**Master Note**”) and will remain on deposit with The Depository Trust Company (“**DTC**”) or the Issuing and Paying Agent, as custodian for DTC. Therefore, a Noteholder must elect to extend the maturity of its Notes through DTC and the direct or indirect participants of DTC through which it holds its Notes. To ensure that DTC will receive timely notice of a Noteholder’s election to extend the maturity of all or a portion of its Notes, so that it can deliver notice of such election to the Issuing and Paying Agent prior to the close of business (New York City time) on the last Business Day in the Notice Period, a Noteholder must instruct the direct or indirect participant through which it holds an interest in the Notes to notify DTC of its election to extend the maturity of its Notes in accordance with the then applicable operating procedures of DTC.

**DTC must receive any Notice of Election from its participants by no later than 12:00 noon (New York City time) on the last Business Day in the Notice Period for any Election Date.** Different DTC participants have different deadlines for accepting instructions from their customers. Noteholders should consult the direct or indirect participant through which they hold an interest in the Notes to ascertain the deadline for ensuring that timely notice will be delivered to DTC. If the Election Date is not a Business Day, Notice of Election must be delivered to DTC by its participants no later than 12:00 noon (New York City time) on the first Business Day following the Election Date. Notices of Election will not be accepted for any amount other than U.S.\$250,000 and integral multiples of U.S.\$1,000 in excess thereof.

**Goldman, Sachs & Co. and Morgan Stanley & Co. Incorporated make no recommendation as to whether a Noteholder should extend the maturity date of the Notes. Noteholders are urged to consult their own advisers as to the desirability of exercising their right to extend the maturity date of the Notes.**

**Election Dates and Notice Periods for Election to Extend the Maturity of the Notes:**

The Election Dates will be quarterly on the 7<sup>th</sup> day of each November, February, May and August commencing on 7 November 2008 to 7 August 2012 inclusive, whether or not any such day is a Business Day (each, an “**Election Date**”). During the Notice Period relating to each Election Date, a Noteholder may elect to extend the maturity of all or any portion (in the authorised denomination) of the principal amount of its Notes so that the maturity of the Notes will be extended to the date occurring 366 calendar days

from and including the 7<sup>th</sup> day of the next succeeding month following such Election Date (the “**New Maturity Date**” and, together with the Initial Maturity Date and the Final Maturity Date, each a “**Maturity Date**”). However, if that 366th calendar day is not a Business Day, the New Maturity Date will be the immediately preceding Business Day. In no event will a Maturity Date of the Notes be extended beyond the Final Maturity Date. Not less than 15 nor more than 20 calendar days prior to each Election Date, the Issuer (through the Issuing and Paying Agent) will request that DTC notify its participants of the applicable Election Date and Notice Period and of the procedures that must be followed to make an election. In the event that DTC or its nominee is no longer the holder of the Notes, the Issuer (through the Issuing and Paying Agent) will notify the Noteholders within such period of time.

**Interest Payment Dates:** Interest on the Notes will be paid in arrear quarterly on the 7<sup>th</sup> day of each August, November, February and May and on the Initial Maturity Date or any later date to which the maturity of the Notes has been extended in accordance with the terms hereof, commencing on 7 August 2008 (each, an “**Interest Payment Date**”). Interest payable on any Interest Payment Date shall be the amount of interest accrued from, and including, the immediately preceding Interest Payment Date in respect of which interest has been paid or duly provided for (or from, and including, 17 July 2008, if no interest has been paid or duly provided for with respect to the Notes) to, but excluding, such Interest Payment Date. If any Interest Payment Date (other than a Maturity Date) would otherwise be a day that is not a Business Day, such Interest Payment Date will be postponed to the next succeeding day that is a Business Day, except that if such Business Day is in the next succeeding calendar month, such Interest Payment Date (other than a Maturity Date) shall be the immediately preceding Business Day.

Any interest, other than interest payable at the Maturity Date or upon earlier redemption, will be payable on the relevant Interest Payment Date to the registered holder at the close of business on the fifteenth calendar day (whether or not a Business Day) preceding such Interest Payment Date.

**Interest Rate:** Three-month LIBOR, reset on a quarterly basis on each Interest Reset Date (as defined below), plus the Applicable Spread (as defined below) (the “**Interest Rate**”); provided that (i) the Interest Rate for the initial Interest Reset Period will be 2.44323% (the interpolated rate based upon Two-week LIBOR and One-month LIBOR) as determined two London Business Days prior to 17 July 2008, plus the Applicable Spread for such period of 0.30%, and (ii) the Interest Rate for the final Interest Reset Period prior to any Maturity Date will be (a) if the final Interest Reset Period is a period of approximately one month, One-month LIBOR, (b) if the final Interest Reset Period is a period of approximately two months, Two-month LIBOR, or (c) if the final Interest Reset Period is a period of approximately three months, Three-month LIBOR, in each case plus the Applicable Spread. Interest on the Notes will be computed on the basis of the actual number of days elapsed over a 360-day year.

Three-month LIBOR will be determined by the Calculation Agent (initially, Citibank, N.A.) as of the applicable Interest Determination Date (as defined below) in accordance with the following provisions:

- (i) LIBOR will be determined on the basis of the offered rates for deposits in U.S. dollars having a three-month maturity, commencing on the second London Business Day immediately following such Interest Determination Date, which appears on the Designated LIBOR Page (as defined below) as of approximately 11:00 a.m., London time, on such Interest Determination Date. If no rate appears

on the Designated LIBOR Page, LIBOR for such Interest Determination Date will be determined in accordance with the provisions of paragraph (ii) below.

- (ii) With respect to an Interest Determination Date on which no rate appears on the Designated LIBOR Page as of approximately 11:00 a.m., London time, on such Interest Determination Date, the Calculation Agent shall request the principal London offices of each of four major reference banks (which may include an affiliate of Goldman, Sachs & Co. or Morgan Stanley & Co. Incorporated) in the London interbank market selected by the Calculation Agent (after consultation with the Issuer) to provide the Calculation Agent with a quotation of the rate at which deposits of U.S. dollars having a three-month maturity, commencing on the second London Business Day immediately following such Interest Determination Date, are offered by it to prime banks in the London interbank market as of approximately 11:00 a.m., London time, on such Interest Determination Date in a principal amount equal to an amount of not less than U.S.\$1,000,000 that in the Calculation Agent's judgement is representative for a single transaction in such market at such time (a "**Representative Amount**"). If at least two such quotations are provided, LIBOR for such Interest Determination Date will be the arithmetic mean of such quotations as calculated by the Calculation Agent. If fewer than two quotations are provided, LIBOR for such Interest Determination Date will be the arithmetic mean of the rates quoted as of approximately 11:00 a.m. (New York City time) on such Interest Determination Date by three major banks in The City of New York (which may include an affiliate of Goldman, Sachs & Co. or Morgan Stanley & Co. Incorporated) selected by the Calculation Agent (after consultation with the Issuer) for loans in U.S. dollars to leading European banks having a three-month maturity commencing on the second London Business Day immediately following such Interest Determination Date and in a Representative Amount; provided, however, that if the banks selected as aforesaid by the Calculation Agent are not quoting such rates as mentioned in this sentence, LIBOR for such Interest Determination Date will be LIBOR as determined with respect to the immediately preceding Interest Determination Date.

If, in respect of the final Interest Reset Period on any Note, the Calculation Agent is required to determine One-month LIBOR or Two-month LIBOR, the Calculation Agent shall determine One-month LIBOR or Two-month LIBOR (as applicable) as of the applicable Interest Determination Date on the basis of the foregoing paragraphs (i) and (ii) as though references therein to "three-month maturity" were references to "one-month maturity" (in the case of One-month LIBOR) or "two-month maturity" (in the case of Two-month LIBOR). The Interest Rate in effect on each day will be (i) if such day is an Interest Reset Date (as defined below), the Interest Rate determined as of the Interest Determination Date (as defined below) immediately preceding such Interest Reset Date or (ii) if such day is not an Interest Reset Date, the Interest Rate determined as of the Interest Determination Date immediately preceding 17 July 2008 or the most recent Interest Reset Date, as the case may be.

All percentages resulting from any calculation of any Interest Rate for the Notes will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point rounded upward and all U.S. dollar amounts will be rounded to the nearest cent, with one-half cent being rounded upwards.

"**Business Day**" means any day that is both a New York Business Day and a

London Business Day.

“**Designated LIBOR Page**” means the Reuters reference “LIBOR01”, or any successor page, on Reuters, or any successor service (or any such other service or services as may be nominated by the British Bankers’ Association for the purposes of displaying London interbank offered rates for U.S. dollar deposits).

“**London Business Day**” means any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

“**New York Business Day**” means any day other than a Saturday or Sunday or any other day on which banking institutions or trust companies in The City of New York, New York are required or authorised by law, regulation or executive order to close.

**Applicable Spread:**

The table below indicates the applicable spread (the “**Applicable Spread**”) with respect to the Notes for the Interest Reset Dates occurring during each of the indicated periods.

For Interest Reset Dates occurring:	Spread:
From and including 17 July 2008 to but excluding 7 August 2009	Plus 0.30%
From and including 7 August 2009 to but excluding 7 August 2010	Plus 0.32%
From and including 7 August 2010 to but excluding 7 August 2011	Plus 0.34%
From and including 7 August 2011 to but excluding 7 August 2012	Plus 0.36%
From and including 7 August 2012 to but excluding 7 August 2013	Plus 0.38%

**Interest Reset Dates:**

The 7<sup>th</sup> day of each August, November, February and May, commencing on 7 August 2008 (each, an “**Interest Reset Date**”). If any Interest Reset Date would otherwise be a day that is not a Business Day, such Interest Reset Date will be postponed to the next succeeding day that is a Business Day, except that if such Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day.

**Interest Reset Periods:**

The initial Interest Reset Period will be the period from and including 17 July 2008 to but excluding the immediately succeeding Interest Reset Date. Thereafter, the Interest Reset Periods will be the periods from and including an Interest Reset Date to but excluding the immediately succeeding Interest Reset Date; *provided that* the final Interest Reset Period for any Notes will be the period from and including the Interest Reset Date, immediately preceding the Maturity Date of such Notes, to but excluding the applicable Maturity Date (each, an “**Interest Reset Period**”).

**Interest Determination Dates:**

Two London Business Days prior to each Interest Reset Date, or (in respect of the Initial Interest Reset Period) prior to 17 July 2008, as applicable (each, an “**Interest Determination Date**”).

**Reopening:**

The Issuer may, without the consent of the Noteholders, issue additional notes having the same ranking and the same Final Maturity Date and other terms (other than their issue date and issue price) as the Notes. Any such additional notes, together with the Notes, may constitute a single series.

**Payment of Additional Amounts:** All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made without withholding or deduction for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied 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 shall pay such additional amounts (“**Additional Amounts**”) of principal and interest as will result (after such withholding or deduction) in receipt by the holders of the sums which would have been receivable (in the absence of such withholding or deduction) from it in respect of their Notes; except that no such Additional Amounts shall be payable with respect to any Note:

- (a) to a holder who is liable to such tax, duty or charge in respect of such Note by reason of such holder having a connection with the United Kingdom other than the mere holding of such Note; or
- (b) to, or to a third party on behalf of, a holder to the extent such withholding or deduction may be avoided or reduced 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; or
- (c) to, or to a third party on behalf of, a holder that is a partnership, or a holder that is not the sole beneficial owner of the Note, or which holds the Note in a fiduciary capacity, to the extent that any of the members of the partnership, the beneficial owner or the settlor or beneficiary with respect to the fiduciary would not have been entitled to the payment of an Additional Amount had each of the members of the partnership, the beneficial owner, settlor or beneficiary (as the case may be) received directly its beneficial or distributive share of the payment; or
- (d) presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below) 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 or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (f) presented for payment (where presentation is required) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union; or
- (g) where the withholding or deduction is imposed with respect to any estate, inheritance, gift, sales, transfer, capital gains, excise or personal property tax or any similar tax, duty or charge; or
- (h) if the applicable tax, duty or charge is payable other than by way of withholding or deduction from payments on or in respect of the Note; or



- (i) in the case of any combination of the items listed above.

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

References in this Base Prospectus to “principal” and “interest” shall (without duplication) be deemed to include any Additional Amounts that may be payable hereunder.

**Redemption for Taxation Reasons:**

- (i) If at any time the Issuer satisfies the Issuing and Paying Agent immediately prior to the giving of the notice referred to below that, as a result of (x) any change which became effective on or after 10 July 2008 in or amendments to, or any regulations or rulings promulgated under the laws of the United Kingdom or of any authority thereof or therein having power to tax or (y) any change which became effective or was announced on or after 10 July 2008 in official position regarding the application or interpretation of the laws, regulations or rulings referred to above, the Issuer would be unable to make such payment of principal or interest without having to pay Additional Amounts as provided or referred to in “Payment of Additional Amounts” above, the Issuer may at its option, having given not less than 30 nor more than 60 days’ notice, redeem at any time prior to the Final Maturity Date all, but not some, of the Notes then outstanding at 100% of the principal amount of the Notes (together with interest accrued to the date fixed for redemption). The redemption date and the applicable redemption price will be specified in the notice of tax redemption, not earlier than 150 days prior to the earliest date on which the Issuer would be obligated to pay such Additional Amounts if a payment in respect of the Notes were actually due on such date and, at the time such notification of redemption is given, such obligation to pay such Additional Amounts remains in effect.
- (ii) It shall be sufficient to establish the existence of the circumstances required to be established pursuant to this “Redemption for Taxation Reasons” section if the Issuer shall deliver to the Issuing and Paying Agent a certificate of an independent lawyer or accountant satisfactory to the Issuing and Paying Agent, in a form satisfactory to the Issuing and Paying Agent, to the effect that such circumstances exist.

**Form:**

The Notes will be represented by a Master Note deposited with, or on behalf of, DTC and registered in the name of a nominee for DTC. The Notes will be issued and purchases thereof will be recorded only through the book-entry system of DTC. Beneficial owners will not receive certificates representing their ownership interest in the Notes. The principal amount of each Note will be paid upon the applicable Maturity Date or, in the case of redemption, upon the applicable Interest Payment Date, in immediately available funds to DTC. The Issuer has been advised by DTC that upon receipt of such payment, DTC will credit, on its book-entry records and transfer system, the accounts of the DTC participants through whom Notes are directly or indirectly owned. Payments by DTC to its participants and by such participants to beneficial owners of the Notes or their representatives will be governed by customary practices and standing instructions and will be the sole responsibility of DTC, such DTC participants or such representatives, respectively.

**Fungibility:**

The Tranche 1 Notes and Tranche 2 Notes were consolidated as of 23 July 2008 and form a single series of U.S.\$3,750,000,000 in principal amount.

2008 and form a single series of U.S.\$3,750,000,000 in principal amount.

**Events of Default:**

In the event of the occurrence of (i) default in any payment of interest on a Note; (ii) default in any payment of principal on a Note (including the payment of the principal of the Note on any date scheduled for redemption); or (iii) an effective resolution being passed for the winding-up of the Issuer (otherwise than for the purposes of reconstruction or amalgamation on terms previously approved by a majority in outstanding principal amount of such series of Notes) (each, an “**Event of Default**”), then in any such case a Noteholder may, by written notice to the Issuer, at the specified office of the Issuing and Paying Agent, declare that the unpaid principal of such Notes, together with any accrued and unpaid interest thereon, shall be immediately due and payable, whereupon the same shall become immediately due and payable at its principal amount together with all interest (if any) accrued thereon, unless, prior thereto, all Events of Default in respect of such Notes shall have been cured. Such declarations of acceleration may be rescinded and past defaults may be waived, except defaults in payment of principal of or interest on the Notes, by holders representing a majority of the outstanding principal amount of Notes (which, for the avoidance of doubt, shall include New Notes) pursuant to the procedures set forth in Section 22 of the Issuing and Paying Agency Agreement (as defined below).

**Settlement:**

Unless otherwise agreed, delivery against payment on same day basis, in immediately available funds.

**Plan of Distribution:**

The Notes are being purchased by the Placement Agents as principals, pursuant to Dealer Agreements dated 10 July 2008 in respect of the Tranche 1 Notes, and 18 July 2008 in respect of the Tranche 2 Notes, in each case between the Issuer and each of Goldman, Sachs & Co. and Morgan Stanley & Co. Incorporated.

Each of Goldman, Sachs & Co. and Morgan Stanley & Co. Incorporated has advised the Issuer that it proposes initially to offer all or part of the Notes at a price of 100% of the initial aggregate principal amount listed above plus, in the case of the Tranche 2 Notes only, 6 days’ accrued interest from and including 17 July 2008, to but excluding 23 July 2008. After the initial offering, the price for any remaining Notes may be changed.

**Placement Agents:**

Goldman, Sachs & Co. and Morgan Stanley & Co. Incorporated.

**Issuing and Paying Agent:**

Citibank, N.A. appointed pursuant to the Issuing and Paying Agency Agreement dated 17 July 2008, between the Issuer and Citibank, N.A. (as amended or supplemented from time to time, the “**Issuing and Paying Agency Agreement**”).

**Calculation Agent:**

Citibank, N.A.

**Payments; Currency:**

Payment of principal and interest and Additional Amounts, if any, on a Note will be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts.

The Issuer shall pay or cause to be paid all amounts payable in respect of each Note to the Issuing and Paying Agent, which shall pay or cause to be paid to DTC or a single nominee of DTC or, at the option of the Issuer, to such other persons as DTC may designate, by wire transfer of immediately available funds on the date such payments are due.

**Obligation Absolute**

No provision of the Issuing and Paying Agency Agreement under which the Notes are issued shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal or redemption price of and

interest on each Note at the times, place and rate, and in the coin or currency, herein prescribed.

<b>Notice</b>	Whenever the Issuing and Paying Agency Agreement or a Note requires that the Issuer or the Issuing and Paying Agent give notice to a Noteholder, the Issuer or the Issuing and Paying Agent will cause such notice to be mailed by first-class mail to the Noteholder at its address set forth in the register maintained by the Issuing and Paying Agent.
<b>Governing Law:</b>	The Notes and the Issuing and Paying Agency Agreement will be governed by and construed in accordance with the laws of the State of New York.
<b>Listing and Admission to Trading:</b>	Application has been made to list the Notes on the Official List and to admit them to trading on the Market. Application will be made to list each series of New Notes on the Official List and to admit them to trading on the Market.
<b>CUSIP No.:</b>	53943E BA5. New CUSIP numbers will be assigned to each series of New Notes representing a principal amount of the Notes as to which an election to extend the maturity has not been duly exercised on any Election Date.
<b>ISIN No.:</b>	US53943EBA55. New ISIN numbers will be assigned to each series of New Notes representing a principal amount of the Notes as to which an election to extend the maturity has not been duly exercised on any Election Date.

## **LLOYDS TSB GROUP**

All of the businesses of Lloyds TSB Group are in or owned by Lloyds TSB Bank plc. The Issuer is the parent company of Lloyds TSB Bank plc. The Issuer was incorporated on 21 October 1985 (Registration number 95000). The Issuer's registered office is at Henry Duncan House, 120 George Street, Edinburgh EH2 4LH and its head office is at 25 Gresham Street, London EC2V 7HN, telephone number 020 7626 1500.

### **History and development of Lloyds TSB Group**

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

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

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

In more recent years, the Lloyds TSB Group has disposed of a number of its non-core operations, as part of the process of managing its portfolio of businesses to focus on its core markets. These disposals have resulted in a significant reduction in the size of the Lloyds TSB Group's international business.

### **Strategy of Lloyds TSB Group**

In an environment of strong competition, Lloyds TSB Group believes that shareholder value can best be achieved by:

- focusing on markets where it can build and sustain competitive advantage;
- developing business strategies for those markets which are founded on being profitably different in the way it creates customer value; and
- building a high-performance organisation focused on the right goals and the best possible execution of those strategies.

Reflecting this, in 2003 the Lloyds TSB Group put in place a three-phase strategy. In phase 1, now completed, the Lloyds TSB Group focused on enhancing the quality of its earnings by exiting businesses which were not regarded as core or which added unnecessary volatility to its earnings. During this phase, the Lloyds TSB Group divested businesses in New Zealand and Latin America, markets in which it did not expect to be able to build and sustain competitive advantage. In phase 2, Lloyds TSB Group's focus is on accelerating growth by deepening its customer relationships and improving its productivity and, in the

process, building competitive advantage through enhancing its capabilities. Lloyds TSB Group believes that this has already resulted in improved earnings growth in its core markets.

The Lloyds TSB Group remains alert for opportunities to grow inorganically to complement its organic strategies and help provide new opportunities for profitable growth, both in the UK and overseas. In phase 3, the Lloyds TSB Group expects to leverage its financial strength and enhanced capabilities in new markets.

Relationships are critical to the Lloyds TSB Group's strategy. The Lloyds TSB Group has chosen to focus on building deep, long-lasting relationships with the Group's customers in order to deliver high quality, sustainable results over time. By building deep relationships, the Lloyds TSB Group aims to maintain stable revenues and thus achieve a lower risk profile.

### **Markets**

Lloyds TSB Group continues to focus on building competitive advantage in its core markets by seeking opportunities to consolidate its position in businesses where it is already strong, through a combination of organic growth and acquisitions, and by divesting businesses in markets where it is not a leader and cannot aspire reasonably to leadership. In 2007, the Lloyds TSB Group continued to move out of non-core markets with the sale of Lloyds TSB Registrars and Abbey Life Assurance Company Limited ("**Abbey Life**").

### **Strategy**

Lloyds TSB Group's strategy is based on a belief that sustained growth comes from simultaneously focusing on (i) building strong customer relationships, (ii) continuous productivity improvement and (iii) strong capital management.

#### **(i) *Strong customer relationships***

In an increasingly competitive financial services market, and with customers able to exercise choice amongst alternative providers, shareholder value creation is closely linked to customer value creation. Shareholder value can only be created by attracting and retaining customers and winning a greater share of their financial services business. Across its main businesses, Lloyds TSB Group has strong core banking franchises, based on building strong customer relationships. The Lloyds TSB Group's strategy is focused on being differentiated in the creation of customer value to win a bigger share of its customers' total financial services spend.

Strong franchises depend on having highly motivated employees. Since 2003, measures of the Lloyds TSB Group's employee engagement from an independent survey by Towers Perrin – ISR have shown a sustained steady improvement across all divisions. Towers Perrin – ISR research shows that high employee engagement scores are positively correlated with business performance.

Motivated employees, combined with investments in improving service, help to build customer advocacy. The Lloyds TSB Group's customer satisfaction and advocacy scores have also improved in recent periods. The Lloyds TSB Group will continue to invest in the drivers of customer advocacy. Against this background, the Lloyds TSB Group has continued to achieve stronger sales and income growth in its three business divisions, UK Retail Banking, Insurance and Investments and Wholesale and International Banking.

#### **(ii) *Continuous productivity improvement***

Superior economic profit growth also requires a continuous focus on productivity improvement, which drives both improved customer service and cost reduction. In recent years, the Lloyds TSB Group has been building a set of capabilities in "six sigma" (error reduction), "lean manufacturing"

(operations efficiency) and procurement. Alongside those capabilities, the Lloyds TSB Group applies an “income growth must exceed cost growth” discipline in setting goals for each business, requiring a wider gap between income growth and cost growth for lower growth/return businesses than for higher growth/return businesses.

The results are showing across all three divisions in much reduced error rates in key processes, growing levels of income per employee and falling unit costs, without impacting investment in future growth. Further improvements in the Lloyds TSB Group’s cost: income ratio are expected as these capabilities and disciplines are extended further.

**(iii) Capital management**

Lloyds TSB Group measures value internally by economic profit growth, a measure of financial performance which signals unambiguously where value is created or destroyed. It has developed a framework to measure economic equity requirements across all its businesses, taking into account market, credit, insurance, business and operational risk. Using economic profit as a key performance measure enables the Lloyds TSB Group to understand which strategies, products, channels and customer segments are destroying value and which are creating the most value and to make better capital allocation decisions as a result.

The application of these economic profit disciplines, alongside goal-setting linked to ensuring that revenue growth constantly exceeds cost growth, has already been reflected in significant improvement in the capital efficiency of the Lloyds TSB Group’s Insurance and Investments division and by a shift in business mix towards sectors offering higher risk-adjusted returns in wholesale banking. By the continued rigorous application of these disciplines at every level, the Lloyds TSB Group expects to further improve capital efficiency whilst remaining strongly capitalised.

It is the Lloyds TSB Group’s belief that the relationship focused strategy has demonstrated its effectiveness in generating sustainable, high quality results through the cycle. The prudent approach to risk means that the Lloyds TSB Group believes that it has relatively limited exposure to assets affected by capital market uncertainties and continues to retain a strong liquidity position.

**Business and activities of Lloyds TSB Group**

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

***UK Retail Banking***

UK Retail Banking provides banking, financial services, mortgages and private banking to some 16 million personal customers through the Lloyds TSB Group’s multi-channel distribution capabilities.

***Branches***

Lloyds TSB Group provides wide-reaching geographic branch coverage in England, Scotland and Wales, through over 2,000 branches of Lloyds TSB Bank plc, Lloyds TSB Scotland plc (“**Lloyds TSB Scotland**”) and Cheltenham & Gloucester plc (“**Cheltenham & Gloucester**”).

***Internet banking***

Internet banking provides online banking facilities for personal customers. Some 4.5 million customers have registered to use Lloyds TSB Group’s internet banking services. At the end of 2007, these customers were conducting more than 71 million actions per month online, a 25 per cent increase on 2006.

#### *Telephone banking*

Telephone banking continues to grow and Lloyds TSB Group now provides one of the largest telephone banking services in Europe. At the end of 2007, some 5.4 million customers had registered to use the services of PhoneBank and the automated voice response service, PhoneBank Express. Lloyds TSB Group's telephone banking centres handled some 70 million calls during 2007.

#### *Cash machines*

Lloyds TSB Group has one of the largest cash machine networks of any leading banking group in the UK and, at 31 December 2007, personal customers of Lloyds TSB Bank plc and Lloyds TSB Scotland were able to withdraw cash and check balances through over 4,100 ATMs at branches and external locations around the country. In addition, UK Retail Banking's personal customers have access to over 64,000 cash machines via LINK in the UK and to cash machines worldwide through the VISA and MasterCard networks.

#### *Current accounts*

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

#### *Savings accounts*

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

#### *Personal loans*

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

#### *Cards*

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

#### *Mortgages*

Cheltenham & Gloucester is Lloyds TSB Group's specialist residential mortgage arranger, offering a range of mortgage products to personal customers through its own branches and those of Lloyds TSB Bank plc in England and Wales, as well as through the telephone, internet and postal service, Mortgage Direct. Lloyds TSB Group also provides mortgages through Lloyds TSB Scotland and Scottish Widows Bank. Lloyds TSB Group is one of the largest residential mortgage lenders in the UK on the basis of outstanding balances, with mortgages outstanding at 31 December 2007 of £101,980 million.

#### *UK Wealth Management*

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

### ***Insurance and Investments***

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

#### *Life assurance, pensions and investments*

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

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

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

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

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

#### *General insurance*

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

#### *Scottish Widows Investment Partnership*

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

### ***Wholesale and International Banking***

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

A new organisational structure for Wholesale and International Banking became effective in 2007. The division's corporate customers with turnover between £2 million and £15 million per annum were transferred from Corporate Markets to Business Banking, which was renamed Commercial Banking; in addition, Lloyds TSB Commercial Finance was transferred from Asset Finance to Commercial Banking.



During 2007, Lloyds TSB Group completed the sale of Lloyds TSB Registrars and The Dutton-Forshaw Group, two of Wholesale and International Banking's businesses.

#### *Corporate Markets*

Combining the respective strengths of some 3,000 people in Corporate Banking and Products and Markets, Corporate Markets plays an integral role in leveraging and expanding the customer franchise and building deep, long-lasting relationships with around 17,000 corporate customers.

Corporate Banking manages the core customer franchise, providing a relationship-based financial and advisory service to the corporate market place through dedicated regional teams throughout the UK and key strategic locations abroad, including New York. Customers have access to expert advice and a broad range of financial solutions. Relationship Managers act as a conduit to product and service partners in Corporate Markets and other parts of the Lloyds TSB Group.

Products and Markets is where the specialist product capability resides for transactions undertaken by the corporate relationship customers of the Lloyds TSB Group. It offers customers a comprehensive range of finance and capital solutions, and also provides tailored risk management solutions and structured solutions across all areas of risk, including foreign exchange, interest rates, credit, inflation and commodities on behalf of Lloyds TSB Group. Additionally, Products and Markets fulfils the treasury role for Lloyds TSB Group, managing balance sheet liquidity.

#### *Commercial Banking*

Commercial Banking serves nearly one million customers across the UK from one-person start-ups to large, established enterprises. The expanded business focuses on providing banking facilities and solutions to customers with business turnover up to £15 million per annum, and incorporates the invoice discounting and factoring subsidiary, Lloyds TSB Commercial Finance, through which Lloyds TSB Group provides specialised working capital finance for its customers. Lloyds TSB Group has a leading share of the new business start-up market, with some 120,000 new businesses opening an account with Lloyds TSB Group in 2007. The main activity of The Agricultural Mortgage Corporation is to provide long-term finance to the agricultural sector.

#### *Asset Finance*

Lloyds TSB Group's asset finance businesses provide individuals and companies with specialist personal lending, store credit and finance through leasing, hire purchase and contract hire packages. Hire purchase is a form of consumer financing where a customer takes possession of goods on payment of an initial deposit but the legal title to the goods does not pass to the customer until the agreed number of instalments have been paid and the option to purchase has been exercised. Altogether, Asset Finance has over 1.7 million individual customers and relationships with some 16,800 companies and small businesses.

#### *International Banking*

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

## **Legal actions**

Lloyds TSB Group is periodically subject to threatened or filed legal actions in the ordinary course of business. For further information, see “Contingent liabilities and commitments – Legal proceedings” in note 46 on page 132 of the Lloyds TSB Group plc Annual Report and Accounts 2007 as incorporated by reference. As referred to in note 46, the Lloyds TSB Group has provided information relating to certain historic US dollar payments to a number of authorities including the Office of Foreign Assets Control, the US Department of Justice and the New York County District Attorney’s office. The Lloyds TSB Group is involved in ongoing discussions with these and other authorities with respect to agreeing a resolution of their investigations. Whilst the Lloyds TSB Group does not expect the final outcome to have a material adverse effect on its financial position, discussions have advanced towards resolution since the year end and accordingly Lloyds TSB Group has provided £180 million in respect of this matter in the first half of 2008.

## **Competitive environment**

Lloyds TSB Group’s key markets are in the UK, in both the retail and wholesale financial services sectors, where the markets are relatively mature. Retail banking markets have shown strong rates of growth in recent years, but there is now evidence of divergent trends between unsecured and secured consumer borrowing, with unsecured lending expected to continue to grow whilst new secured lending is expected to fall in the short term. At the same time, the markets for life, pensions and insurance products are expected to grow over time in a number of key areas. The fragmented nature of the life, pensions and insurance market in the UK has resulted in some consolidation within certain product sectors, although the overall share of new business of the top ten providers has fallen slightly in 2007. In the general insurance sector, the long-term trend of consolidation amongst underwriters and brokers continues, while distribution remains fragmented through growth in the number of affinity partnerships. Wholesale markets have also shown strong growth until mid-2007, since when the ongoing dislocation of global capital markets has had a severe impact. Slower growth is now evident and this trend is likely to intensify going forward, together with a return to more normal levels of bad debt from recent cyclical lows.

Lloyds TSB Group’s competitors include all the major financial services companies operating in the UK. In the retail banking market, Lloyds TSB Group competes with banks and building societies, major retailers and internet-only providers. In the mortgage market, competitors include the traditional banks and building societies and specialist providers. In the wholesale banking market, Lloyds TSB Group competes with both UK and foreign financial institutions; in asset finance the main competition comes from other banks and specialised asset finance providers; and in the insurance market, competitors include bancassurance, life assurance and general insurance companies operating in the UK.

The current dislocation in global capital markets has been the most severe examination of the banking system’s capacity to absorb sudden significant changes in the funding and liquidity environment for many years and individual institutions have faced varying degrees of stress. Should the Group be unable to continue to source a sustainable funding profile which can absorb these sudden shocks, this could impact its ability to compete in the mortgage market and in other markets. Many competitors have reacted to short-term funding concerns by withdrawing products and/or tightening lending criteria. Lloyds TSB Group expects these conditions to continue throughout 2008.

In the UK and elsewhere, there is continuing political and regulatory scrutiny of financial services (see also “Lloyds TSB Group plc Annual Report and Accounts 2007 – Risk management – Operational risk – Exposures” as incorporated by reference).

### ***UK Competition Commission***

The UK's Competition Commission (the "**Commission**") is formally investigating the supply of payment protection insurance ("**PPI**") services (except store card PPI) to non-business customers in the UK.

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

The Commission has therefore also considered what remedies should be adopted to regulate the future supply of PPI. A remedies notice issued with the provisional findings sets out a range of possible remedies under consideration at this stage which contemplate (1) measures requiring greater disclosure of information about PPI policies prior to, or at, the point of sale of the policy; (2) a prohibition on the sale of PPI at the point of sale of any credit product and within a fixed time period after the credit sale; (3) a requirement that all PPI policies be subject to annual renewal, with renewal occurring only if the customer "opted in" (and, for single premium policies, a right for a customer who did not "opt in" to receive a rebate in cash); (4) a requirement that distributors of PPI should provide an annual statement to each customer, containing a reminder of certain key facts about the policy, including the customer's right to cancel the policy; (5) a prohibition on the sale of single premium PPI policies, or other restrictions on the sale and/or terms of such policies; (6) a requirement that PPI policies embody certain minimum standards of cover; (7) a range of measures requiring disclosure of customer-related information, or other forms of co-operation, between market participants, to facilitate the sale and administration of policies by stand alone and other providers of PPI; and (8) the imposition of a regulatory cap on the price of some or all kinds of PPI policy.

If the Commission decides to confirm its provisional findings to the effect that market features restrict competition in the supply of PPI with resulting adverse effects, it is expected to issue its provisional decision as to what remedies to adopt in September 2008. The Commission will issue its final report by February 2009.

### ***UK Office of Fair Trading***

The following reviews and inquiries are being carried out:

In April 2007, the UK Office of Fair Trading ("**OFT**") commenced an investigation into the fairness of current account overdraft charges. At the same time it commenced a market study into wider questions about competition and price transparency in the provision of personal current accounts.

On 27 July 2007, following agreement between the OFT and eight UK financial institutions, the OFT issued High Court legal proceedings against those institutions, including Lloyds TSB Bank plc, to determine the legal status and enforceability of certain of the charges applied to their personal customers in relation to requests for unplanned overdrafts. On 24 April 2008, the High Court ruled on the preliminary issues of whether the financial institutions' terms and conditions in relation to unplanned overdraft charges are capable of being assessed for fairness under the Unfair Terms in Consumer Contracts Regulations 1999 ("**Regulations**") or are capable of amounting to penalties at common law. The High Court determined, in relation to Lloyds TSB Bank plc's current terms and conditions, that the relevant charges are not capable of amounting to penalties but that they are assessable for fairness under the Regulations. On 22 May 2008, Lloyds TSB Bank plc, along with the other relevant financial institutions, was given permission to appeal the finding that unplanned overdraft charges are assessable for fairness under the Regulations and expects this appeal to be heard later this year. A further hearing was held on 7 to 9 July 2008 to consider whether Lloyds TSB Bank plc's historic terms and conditions are similarly not capable of being penalties,

and to consider whether Lloyds TSB Bank plc's historic terms are assessable for fairness. Subject to the outcome of any appeal in relation to whether the charges are assessable for fairness, it is expected that there will be further substantive hearings to establish whether the charges are fair. If various appeals are pursued, the proceedings may take a number of years to conclude. The FSA has agreed, subject to certain conditions, that the handling of customer complaints on this issue can be suspended until the earlier of either conclusion of the proceedings or 26 January 2009, subject to any renewal or extension which the FSA may agree. Cases before the Financial Ombudsman Service and the County Courts are also currently stayed pending the outcome of the legal proceedings initiated by the OFT. The Group intends to continue to defend its position strongly. Accordingly, no provision in relation to the outcome of this litigation has been made. Depending on the Court's determinations, a range of outcomes is possible, some of which could have a significant financial impact on the Lloyds TSB Group. The ultimate impact of the litigation on the Group can only be known at its conclusion.

On 16 July 2008, the OFT released a report following the market study referred to above. The OFT is now engaging in a period of consultation until 31 October 2008. At the conclusion of the consultation period, the OFT will publish a summary of the responses received, and will then aim to publish a further or final report in early 2009 which will contain recommendations for the banking industry.

The OFT is carrying out a review of undertakings given by some banks in 2002 regarding the supply of banking services to small and medium-sized entities ("SMEs").

The OFT is also investigating interchange fees charged by some card networks in parallel with the European Commission's own investigation into cross-border interchange fees.

### ***The European Commission***

The European Commission is conducting its own inquiry into retail banking services across the European Union.

In addition, a number of EU directives, including the Acquisitions Directive, the Payment Services Directive and the Consumer Credit Directive are currently being implemented in the UK. The EU is also considering or progressing regulatory proposals for, Mortgage Credit, Single European Payments Area, Retail Financial Services Review, capital adequacy requirements for insurance companies (Solvency II) and amendments to the Capital Requirements Directive.

UK regulators are currently considering feedback from the market in connection with their review of the distribution of retail investment products and responses to a consultation on the UK financial stability and depositor protection regime.

These investigations and any connected matters are likely to affect the industry and have an impact on the Lloyds TSB Group's business. Lloyds TSB Group is considering actions to mitigate any financial impact. The net effect from a product and cost/income perspective is currently under consideration. However the Lloyds TSB Group is presently unable to quantify with any reasonable certainty the aggregate cost or income implications in relation to the above matters.

## **Regulation**

### ***Regulatory Requirements for UK Financial Services Institutions***

The cornerstone of the regulatory regime in the UK is the Financial Services and Markets Act 2000 ("FSMA") which came into force on 1 December 2001 (a date known as N2) and replaced much of the previous legislation under which banks, insurance companies and investment businesses had been authorised and supervised. In accordance with the provisions of the FSMA on 30 November 2001, the

Financial Services Authority (“FSA”) completed the process of assuming responsibility for the regulation and oversight of a wide range of financial services activities in the UK. Most recently these responsibilities have extended to include the regulation of mortgage lending, sales and administration (October 2004) and general insurance sales and administration (January 2005).

The FSA is responsible for the authorisation and supervision of institutions that provide regulated financial products and services as defined in the FSMA. As part of the authorisation process, the FSA reviews applicants to ensure that they satisfy the necessary criteria including honesty, competence and financial soundness, to engage in regulated activity. The majority of Lloyds TSB Group’s regulated financial institutions became authorised by the FSA through being “grandfathered” as having been authorised under previous legislation to carry on financial services business. Following the new regulations that were introduced for mortgage and general insurance business, additional entities were authorised by the FSA.

#### ***Other relevant legislation and regulation***

##### *Financial Ombudsman Service (“FOS”)*

The FOS was established at N2 pursuant to the FSMA to provide customers with a free and independent service designed to resolve disputes where the customer is not satisfied with the response received from the regulated firm. The FOS resolves disputes that cover most financial products and services provided in (or from) the UK, from insurance and pension plans to bank accounts and investments, for eligible complainants, private individuals and small businesses, charities or trusts. The jurisdiction of FOS was extended in 2007 to include firms conducting activities under the Consumer Credit Act. Although the FOS takes account of relevant regulation and legislation, their guiding principle is to resolve cases on the basis of what is fair and reasonable; in this regard, the FOS is not bound by law or even its own precedent. The decisions made by the FOS are binding on firms.

##### *Banking Code Standards Board*

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

##### *Office of Fair Trading*

The OFT is responsible for regulating implementation of the Consumer Credit Act 1974 which regulates both brokerage and lending activities in the provision of personal secured and unsecured lending. The OFT is also responsible for regulating issues such as credit card default fees, payment protection insurance (in conjunction with the FSA), and payment services. The OFT may also refer investigations to the Competition Commission (an independent public body established by the Competition Act 1998).

##### *Information Commissioner’s Office*

This office is responsible for overseeing implementation of the Data Protection Act 1998. This Act regulates, among other things, the retention and use of data relating to individual customers.

##### *European Union Impact for UK Financial Services Regulation*

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

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

Financial institutions, such as those in the Lloyds TSB Group, are primarily regulated in their home state by a local regulator but the EU directives prescribe minimum criteria for the authorisation of such institutions and the prudential and conduct of business supervision applicable to them. Different directives require member states to give “mutual recognition” to each other’s standards of regulation through the operation of a “passport” concept. This passport gives a financial institution which has been authorised in its ‘home’ state the freedom to establish branches in, and to provide cross-border services into, other member states without the need for additional local authorisation.

Key directives implemented in 2007, or currently being considered, include:

- Capital Requirements Directive – this came into effect on 1 January 2007 and implements Basel II throughout the EU for banks and investment firms. The final rules for the UK jurisdiction were published during 2006, resulting in substantial changes to the capital adequacy rules applying to the Lloyds TSB Group. The Group was fully involved in the consultative process with the regulatory authorities. The new framework covers three main areas:
  - Minimum capital requirements and methodologies for allocation of regulatory capital for credit and other risks including operational risk;
  - A supervisory review process, including the setting of capital ratios by bank supervisors; and
  - Improvement of transparency in the financial system by reliable and timely disclosure of risk information.

See also, “Risk Management - Basel II” set out on page 51 of the Lloyds TSB Group plc Annual Report and Accounts 2007, as incorporated by reference.

- Markets in Financial Instruments Directive (“**MiFID**”) – this is one of the key initiatives of the EU’s Financial Services Action Plan. It came into effect in November 2007 and has replaced the 1996 Investment Services Directive. MiFID provides a framework of key regulations to be implemented into the domestic law of each EU member state in an effort to harmonise the conduct of investment business and the regulation of securities execution venues across the EEA. For example, MiFID:
  - Extended the coverage of the current regime in terms of both firms and products;
  - Introduced more extensive requirements, in particular in relation to conduct of business (both business operations and customer interaction); and
  - Detailed additional governance requirements, such as organisation of risk functions, outsourcing and conflicts of interest management.
- Third Money Laundering Directive – this came into effect in the UK on 17 December 2007 following enactment in the 2007 Money Laundering Regulations. It is designed to strengthen the fight against money laundering and terrorist financing and embodies the risk-based approach to anti-money laundering compliance. It provides a common EU basis for implementing the revised Financial Action Task Force (“**FATF**”) Recommendations (issued in June 2003) and replaces the 1st and 2nd Money Laundering Directives. Although some enhancements to the Group’s processes continue to be implemented, the Group believes its systems and controls were fully compliant with

the requirements of the Directive by the implementation date. Changes arising through this Directive have been incorporated into a revised version of the UK's Joint Money Laundering Steering Group ("JMLSG") Guidance Notes.

A number of other EU directives, including the Unfair Commercial Practices Directive, the Acquisitions Directive and the Payment Services Directive are currently being implemented in the UK. The EU is also considering regulatory proposals for, inter alia, Consumer Credit, Mortgage Credit, the Single European Payments Area and capital adequacy requirements for insurance companies (Solvency II).

#### *US*

In the United States, Lloyds TSB Bank plc maintains a branch in New York and an agency in Miami, licensed by the States of New York and Florida, respectively. A subsidiary of Lloyds TSB Bank plc maintains representative offices in several US cities. The existence of branch and agency offices of Lloyds TSB Bank plc in the US subjects Lloyds TSB Group plc and its subsidiaries doing business or conducting activities in the US to oversight by the Federal Reserve Board and limits the nature of the activities in which Lloyds TSB Group plc and its subsidiaries can engage in the US. Lloyds TSB Bank plc's branch and agency offices are subject to extensive federal and state supervision and regulation relating to their operations, and the Group generally is expected to provide a measure of management and financial support and guidance to its US operations and activities. A major focus of US governmental policy relating to financial institutions in recent years has been combating money laundering and terrorist financing and enforcing compliance with US economic sanctions, with serious legal and reputational consequences for any failures arising in these areas.

#### *Rest of the world*

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

#### **Recent Developments**

On 6 May 2008, the Issuer published an interim management statement (the "**Management Statement**"). Certain recent developments referred to in the Management Statement are described below (unless otherwise stated, first quarter 2008 performance comparisons relate to the equivalent period in 2007 for the Group's continuing businesses):

- Excluding the impact of market dislocation and insurance related volatility, each division and the Group achieved revenue growth in excess of cost growth, and a double-digit percentage increase in profit before tax in the first quarter of 2008.
- The Group's Wholesale and International Banking division has limited exposure to assets affected by current market uncertainties. However, the division's profit before tax was reduced by £387 million during the first quarter of 2008 as a result of the impact of market dislocation. This principally reflects mark-to-market adjustments on assets in the division's trading portfolio.
- At 31 March 2008, the Group's portfolio of available-for-sale assets totalled £23.2 billion. A significant proportion of these assets (£7.9 billion) related to the Asset Backed Securities (ABS) in Cancara, the Group's hybrid Asset Backed Commercial Paper conduit. The balance includes £3.1 billion Student Loan ABS, predominantly guaranteed by the US Government, £7.4 billion Government bond and short-dated bank commercial paper and certificates of deposit and £4.8 billion major bank senior paper and high quality ABS. These available-for-sale assets are intended to be held to maturity and as a result, under IFRS, they are marked-to-market through reserves. During the first quarter of 2008, a net £740 million reserves adjustment has been made to

reflect the fact that, whilst not currently impaired, there has been a reduction in the market value of these assets. This adjustment has no impact on the Group's capital ratios.

- In the first quarter of 2008, high levels of volatility in fixed income markets and lower equity markets contributed to adverse volatility of £474 million relating to the insurance business, excluding policyholder interests volatility. This reflects a reduction in the market consistent valuation of the annuity portfolio, driven by the continued widening of corporate bond spreads, and lower expected future shareholder income from contracts where the underlying policyholder investments are in equities.

#### **Directors**

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

<b>Name</b>	<b>Principal outside activities</b>
<b>Sir Victor Blank</b> Chairman.....	A member of the Financial Reporting Council from 2002 to 2007 and a member of the Council of Oxford University from 2000 to 2007. A senior adviser to the Texas Pacific Group. Chairs two charities, Wellbeing of Women and UJS Hillel, as well as the Council of University College School.
<b>Executive directors</b>	
<b>J. Eric Daniels</b> Group Chief Executive .....	A non-executive director of BT Group.
<b>Archie G. Kane</b> Group Executive Director, Insurance and Investments .....	Chairman of the board of the Association of British Insurers. Member of the Treasury's Financial Services Global Competitiveness Group.
<b>G. Truett Tate</b> Group Executive Director, Wholesale & International Banking .....	A non-executive director of BritishAmerican Business Inc. A member of the fund-raising board of the National Society for the Prevention of Cruelty to Children.
<b>Helen A. Weir CBE</b> Group Executive Director, UK Retail Banking .....	A non-executive director of Royal Mail Holdings. A member of the Said Business School Advisory Board and a former member of the Accounting Standards Board.
<b>Non-executive directors</b>	
<b>Wolfgang C.G. Berndt</b> .....	A non-executive director of Cadbury, GfK AG and Mimba AG.
<b>Ewan Brown CBE FRSE</b> .....	A non-executive director of Noble Grossart and Stagecoach Group, senior governor of the Court of the University of St Andrews and vice chairman of the Edinburgh International Festival. A former chairman of tie and non-executive director of John Wood Group.
<b>Jan P. du Plessis</b> .....	Chairman of British American Tobacco.
<b>Philip N. Green</b> .....	Chief Executive of United Utilities. A director of



<b>Name</b>	<b>Principal outside activities</b>
	Business in the Community, a member of the government's UK Commission for Employment and Skills and a trustee of the Philharmonia Orchestra.
<b>Sir Julian Horn-Smith</b> .....	A non-executive director of Digicel Group, a member of the Altimo International advisory board and a senior adviser to UBS in relation to the global telecommunications sector.
<b>Lord Leitch</b> .....	Appointed chairman of Scottish Widows in 2007. Chairman of the government's Review of Skills (published in December 2006) and deputy chairman of the Commonwealth Education Fund. Chairman of BUPA and Intrinsic Financial Services and a non-executive director of Paternoster and United Business Media.
<b>Sir David Manning GCMG CVO</b> .....	A non-executive director of BG Group.

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

## TAXATION

### UNITED KINGDOM TAXATION

*The comments below are of a general nature based on current United Kingdom law and HM Revenue & Customs published practice. They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are the absolute beneficial owners of their Notes and New Notes, as the case may be, and may not apply to certain classes of persons such as dealers or certain professional investors, and do not deal with all of the consequences of the ownership or the disposal of Notes or New Notes. Any Noteholders who are in doubt as to their own tax position should consult their professional advisers.*

#### *Interest*

While the Notes and the New Notes continue to be listed on a recognised stock exchange within the meaning of section 1005 Income Tax Act 2007, payments of interest by the Issuer 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.

If the Notes and the New Notes cease to be listed interest will (assuming the Finance Bill 2008 is enacted in its current form) generally be paid under deduction of income tax at the basic rate (currently 20 per cent) unless:

(i) an exemption applies under United Kingdom domestic law

or

(ii) the Issuer has received a direction to the contrary from HM Revenue and Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

Persons in the United Kingdom paying interest to or receiving interest on behalf of another person who is an individual may be required to provide certain information to HM Revenue and 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.

#### *Taxation of Capital Gains*

A Noteholder that is not resident (or, in the case of an individual, ordinarily resident) in the UK will not normally be liable for UK taxation on capital gains realised on the disposal (including redemption) of Notes and New Notes unless, at the time of the disposal, in the case of a corporate Noteholder, such Noteholder carries on a trade in the UK through a permanent establishment or, in the case of any other Noteholder, such Noteholder carries on a trade (which for this purpose includes a profession or vocation) in the UK through a branch or agency and the Notes and the New Notes are, or have been, used, held or acquired for the purposes of such permanent establishment, branch or agency. Special rules apply to individuals who are temporarily not resident or ordinarily resident in the UK.

#### *EU Savings Directive*

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 in another Member State, except that Austria, Belgium and Luxembourg will instead impose a withholding system for a transitional period unless during such period they elect otherwise.

### *United Kingdom Stamp Duty and Stamp Duty Reserve Tax*

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue or transfer by delivery of a Note or a New Note or on its or their redemption in cash.

### **UNITED STATES TAXATION**

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

The following is a description of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes or the New Notes by the U.S. Holders described below. This discussion only applies to (i) Notes that are purchased by initial holders at the “issue price”, which will equal the first price to the public (not including bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Notes is sold for money and (ii) New Notes issued by the Issuer to such initial holders, provided in each case that the Notes or New Notes are held as capital assets.

This discussion does not describe all of the tax consequences that may be relevant to holders in light of their particular circumstances or to holders subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- dealers in securities or foreign currencies;
- persons holding Notes or New Notes as part of a hedge, “straddle”, integrated transaction or other similar transactions;
- U.S. Holders (as defined below) whose functional currency is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes; and
- persons subject to the alternative minimum tax.

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

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

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

### *Payments of Interest*

Although it is not entirely clear how the relevant Treasury Regulations apply to the Notes, for U.S. federal income tax purposes the Notes should be treated as maturing on the Final Maturity Date, and therefore an election to extend the maturity of all or any portion of the principal amount of the Notes in accordance with the procedures described above should not be a taxable event for U.S. federal income tax purposes. Assuming that the Notes are treated as maturing on the Final Maturity Date, the interest rate on the Notes should be treated as “a single qualified floating rate” and the Notes should qualify as “variable rate debt instruments” for U.S. federal income tax purposes. Accordingly, interest paid on a Note or New Note should be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

A U.S. Holder that does not elect to extend the maturity date of the Notes as of any Election Date should not be subject to U.S. federal income tax due to such non-election and should be subject to U.S. federal income tax on the sale, exchange or retirement of the New Notes as described below under the heading “Sale, Exchange or Retirement of the Notes or New Notes.”

Interest income earned by a U.S. Holder with respect to a Note or a New Note will constitute foreign source income for U.S. federal income tax purposes, which may be relevant to a U.S. Holder in calculating the U.S. Holder’s foreign tax credit limitation. U.S. Holders should note that no assurance can be given that the Internal Revenue Service (“IRS”) will accept, or that the courts will uphold, the characterisation and the tax treatment of the Notes and the New Notes described above. If the IRS were successful in asserting that an election to extend the maturity of all or any portion of the principal amount of the Notes is a taxable event for U.S. federal income tax purposes, then a U.S. Holder may be required to recognise gain upon the exercise of such election.

### *Sale, Exchange or Retirement of the Notes or New Notes*

Upon the sale, exchange or retirement of a Note or a New Note, a U.S. Holder will generally recognise U.S.-source capital gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the U.S. Holder’s adjusted tax basis in the Note or the New Note. For these purposes, the amount realised does not include any amount attributable to accrued interest. Amounts attributable to accrued interest are treated as interest as described under “Payments of Interest” above. Gain or loss realised on the sale, exchange or retirement of a Note or a New Note will be long-term capital gain or loss if at the time of sale, exchange or retirement the Note or the New Note has been held for more than one year.

### *Backup Withholding and Information Reporting*

Payments of interest and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and backup withholding unless (i) the U.S. Holder is a corporation or other exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that the U.S. Holder is not subject to backup withholding.

The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder’s U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is furnished to the IRS.

### **ERISA MATTERS**

The Issuer and certain of its affiliates may each be considered a “party in interest” within the meaning of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or a “disqualified person” within the meaning of Section 4975 of the Code with respect to some “employee benefit plans” (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective and commingled funds and accounts whose underlying assets include the assets of such plans, and with respect to plans that are not subject to ERISA

but which are subject to Section 4975 of the Code, such as individual retirement accounts (collectively, “Plans”). Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of Plans and “parties in interest” or “disqualified persons” with respect to such Plans, unless a statutory or administrative exemption is applicable to the transaction. Prohibited transactions may arise, for example, if Notes or New Notes are acquired by or with the assets of a Plan with respect to which the Issuer or any of its affiliates is a “party in interest” or “disqualified person” by reason of being a service provider to such Plan, unless the Notes or New Notes are acquired pursuant to an exemption from the prohibited transaction rules. Certain benefit plans, such as government sponsored plans and certain non-U.S. plans are not subject to the prohibited transaction rules of ERISA and the Code, but may be subject to other prohibitions under applicable laws and rules.

Each prospective purchaser of Notes or New Notes or any interest therein will be deemed to represent and warrant by its purchase and holding thereof, as of the date of its acquisition of Notes or New Notes or an interest therein through the date that it ceases to hold any interest in any Notes or New Notes or any deemed substitute non-extendible notes, that (a) it is not a Plan or an entity whose underlying assets include Plan assets by reason of any Plan’s investment in the entity, and is not purchasing or holding Notes or New Notes or deemed substitute non-extendible notes on behalf of or with the assets of any Plan or any benefit plan subject to prohibitions similar to those of Section 406 of ERISA or Section 4975 of the Code or (b) its purchase, holding and transfer of Notes or New Notes or deemed substitute non-extendible notes will not give rise to a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any similar applicable laws or rules.

Under ERISA, the assets of a Plan may include assets held in the general account of an insurance company that has issued an insurance policy to such Plan or assets of an entity in which the Plan has invested. Each prospective purchaser that is a Plan or is considering investing Plan assets in Notes or New Notes should consult its legal adviser regarding the application of ERISA and the Code. Each prospective purchaser bears exclusive responsibility for ensuring that its purchase and holding of Notes and New Notes and deemed substitute non-extendible notes does not involve a violation of ERISA or any similar laws.

## FORM OF NEW NOTE FINAL TERMS FOR NOTES

New Note Final Terms dated [●]

**Lloyds TSB Group plc (the “Issuer”)**

Issue of [Aggregate Nominal Amount] Non-Extendible Notes (the “**New Notes**”)

### **PART A — CONTRACTUAL TERMS**

On 17 July 2008, the Issuer issued a duly authorised tranche of debt securities, designated as its Extendible Notes in an aggregate principal amount of U.S.\$3,250,000,000 (the “**Tranche 1 Notes**”). On 23 July 2008, the Issuer issued a further duly authorised tranche of its Extendible Notes in an aggregate principal amount of U.S.\$500,000,000 (the “**Tranche 2 Notes**”). The Tranche 1 Notes and the Tranche 2 Notes were consolidated as of 23 July 2008 and form a single series of the Issuer’s Extendible Notes in an aggregate principal amount of U.S.\$3,750,000,000 (the “**Notes**”). In accordance with the terms of the Notes, the holders of the Notes did not elect to extend the maturity of Notes in an aggregate principal amount of U.S.\$[●] (referred to herein as the “**New Notes**”). The New Notes shall not be extendible and shall be represented and governed by the terms and conditions in the Base Prospectus dated 24 July 2008 (the “**Base Prospectus**”) and as appended to the Issuing and Paying Agency Agreement between the Issuer and Citibank, N.A. dated 17 July 2008.

The Base Prospectus [and the supplemental Base Prospectus dated [date]] [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”). This document constitutes the New Note Final Terms of the New Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the New Notes is only available on the basis of the combination of these New Note Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from the head office of Lloyds TSB Group plc, 25 Gresham Street, London EC2V 7HN, England.

THE NEW NOTES DESCRIBED HEREIN HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**ACT**”), OR ANY OTHER APPLICABLE SECURITIES LAW, AND OFFERS AND SALES THEREOF MAY BE MADE ONLY IN COMPLIANCE WITH AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS. BY ITS ACCEPTANCE OF A NEW NOTE, THE PURCHASER WILL BE DEEMED TO REPRESENT THAT IT HAS BEEN AFFORDED AN OPPORTUNITY TO INVESTIGATE MATTERS RELATING TO THE ISSUER AND THE NEW NOTES, THAT IT IS NOT ACQUIRING SUCH NEW NOTE WITH A VIEW TO ANY DISTRIBUTION THEREOF AND THAT IT IS A QUALIFIED INSTITUTIONAL BUYER (“**QIB**”) WITHIN THE MEANING OF RULE 144A UNDER THE ACT THAT IS ACQUIRING NEW NOTES FOR ITS OWN ACCOUNT OR FOR ONE OR MORE ACCOUNTS, EACH OF WHICH IS A QIB AND WITH RESPECT TO EACH OF WHICH THE PURCHASER HAS SOLE INVESTMENT DISCRETION; AND THE PURCHASER ACKNOWLEDGES THAT IT IS AWARE THAT THE SELLER MAY RELY UPON THE EXEMPTION FROM THE REGISTRATION PROVISIONS OF SECTION 5 OF THE ACT PROVIDED BY RULE 144A. BY ITS ACCEPTANCE OF A NEW NOTE, THE PURCHASER THEREOF SHALL ALSO BE DEEMED TO AGREE THAT ANY RESALE OR OTHER TRANSFER THEREOF WILL BE MADE ONLY (A) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE ACT AND ANY OTHER APPLICABLE SECURITIES LAWS, EITHER (1) TO THE ISSUER OR TO GOLDMAN, SACHS & CO. OR MORGAN STANLEY & CO. INCORPORATED OR ANOTHER PERSON DESIGNATED BY THE ISSUER AS A PLACEMENT AGENT FOR THE NEW NOTES (COLLECTIVELY, THE “**PLACEMENT AGENTS**”), NONE OF WHICH SHALL HAVE ANY OBLIGATION TO ACQUIRE SUCH NEW NOTE, (2) THROUGH A PLACEMENT AGENT TO A QIB, OR (3) TO A QIB IN A TRANSACTION THAT MEETS THE REQUIREMENTS OF RULE 144A AND (B) IN MINIMUM AMOUNTS OF U.S.\$250,000 AND INTEGRAL MULTIPLES OF \$1,000 IN EXCESS THEREOF.

<b>Issuer:</b>	Lloyds TSB Group plc.
<b>Securities:</b>	Unsecured non-extendible short-term notes, ranking <i>pari passu</i> with the Issuer's present and future unsubordinated and unsecured indebtedness.
<b>Exemption:</b>	The New Notes are exempt from registration under the Securities Act of 1933, as amended (the "Act"), pursuant to Section 4(2) of the Act, and the New Notes cannot be resold unless registered or an exemption from registration is available.
<b>Principal Amount:</b>	U.S.\$[●].
<b>Offering Price:</b>	100% of the principal amount of the New Notes.
<b>Denominations:</b>	U.S.\$250,000 and integral multiples of U.S.\$1,000 in excess thereof.
<b>Original Issue Date:</b>	The Tranche 1 Notes were issued on 17 July 2008 and the Tranche 2 Notes were issued on 23 July 2008.
<b>New Note Issue Date:</b>	[●] 20[●].
<b>New Maturity Date:</b>	[●] or if such day is not a Business Day, the immediately preceding Business Day.
<b>Extension of Maturity of the New Notes; Election to Extend the Maturity of the New Notes:</b>	Not Applicable.
<b>Election Dates and Notice Periods for Election to Extend the maturity of the New Notes:</b>	Not Applicable.
<b>Interest Payment Dates:</b>	<p>Interest on the New Notes will be paid quarterly in arrear on the 7th day of each [August, November, February and May] and on the Maturity Date.</p> <p>Interest payable on the New Notes on any Interest Payment Date shall be the amount of interest accrued from, and including, the immediately preceding Interest Payment Date in respect of which interest has been paid or duly provided for (or from, and including, 17 July 2008, if no interest has been paid or duly provided for with respect to the New Notes) to, but excluding, such Interest Payment Date. If any Interest Payment Date (other than the Maturity Date) would otherwise be a day that is not a Business Day, such Interest Payment Date will be postponed to the next succeeding day that is a Business Day, except that if such Business Day is in the next succeeding calendar month, such Interest Payment Date (other than the Maturity Date) shall be the immediately preceding Business Day.</p> <p>Any interest, other than interest payable at the Maturity Date or upon earlier redemption, will be payable on the relevant Interest Payment Date to the registered holder of the New Notes at the close of business on the fifteenth calendar day (whether or not a Business Day) preceding such Interest Payment Date.</p>
<b>Interest Rate:</b>	Three-month LIBOR, reset on a quarterly basis on each Interest Reset Date, plus the Applicable Spread[, <i>provided that</i> the Interest Rate for the final Interest Reset Period prior to the Maturity Date shall be [Two-month

LIBOR][One-month LIBOR] plus the Applicable Spread]. Interest on the New Notes will be computed on the basis of the actual number of days elapsed over a 360-day year.

Three-month LIBOR [or, as applicable, [Two-month LIBOR][One-month LIBOR] will be determined by the Calculation Agent as of the applicable Interest Determination Date in accordance with the Extendible Notes Conditions.

<b>Applicable Spread:</b>	For Interest Reset Dates occurring: From and including [●] to but excluding [●]	Spread:  Plus [●]%
	From and including [●] to but excluding [●]	Plus [●]%

**Interest Reset Dates:** The 7th day of each [August, November, February and May]. If any Interest Reset Date would otherwise be a day that is not a Business Day, such Interest Reset Date will be postponed to the next succeeding day that is a Business Day, except that if such Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day.

**Interest Reset Periods:** The Interest Reset Periods will be the periods from and including an Interest Reset Date to but excluding the immediately succeeding Interest Reset Date; *provided that* the final Interest Reset Period for the New Notes will be the period from and including the Interest Reset Date immediately preceding the Maturity Date to but excluding the Maturity Date.

**Interest Determination Dates:** Two London Business Days prior to each Interest Reset Date.

**Redemption for Taxation Reasons:** Applicable.

**Form:** The New Notes will be represented by one or more Master Notes deposited with, or on behalf of, DTC and registered in the name of a nominee for DTC. The New Notes will be issued and purchases thereof will be recorded only through the book-entry system of DTC. Beneficial owners will not receive certificates representing their ownership interest in the New Notes.

**Settlement:** Delivery free of payment on same day basis.

**Issuing and Paying Agent:** Citibank, N.A.

**Calculation Agent:** Citibank, N.A.

**CUSIP No.:** [●]

**ISIN No.:** [●]

#### LISTING AND ADMISSION TO TRADING APPLICATION

These New Note Final Terms comprise the new note final terms required for issue and admission to trading of the New Notes described herein.



**RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these New Note Final Terms.

Signed on behalf of the Issuer:

.....

By:

Duly authorised

## PART B — OTHER INFORMATION

### 1 Listing

- (i) Listing: London
- (ii) Admission to trading: Application has been made for the New Notes to be admitted to trading on the London Stock Exchange plc's Regulated Market with effect from [●].
- (iii) Estimate of total expenses related to [●]  
admission to trading:

### 2 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

So far as the Issuer is aware, no person involved in the offer of the New Notes has an interest material to the offer.

### 3 OPERATIONAL INFORMATION

- ISIN Code: [●]
- CUSIP: [●]
- Common Code: [●]
- Any clearing system(s) other than the  
Depository Trust Company and the relevant  
identification number(s): Not Applicable
- Delivery: Delivery free of payment
- Names and addresses of additional Paying  
Agent(s) (if any): Not applicable

## GENERAL INFORMATION

- 1 The listing of the Notes and the New Notes on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest).
- 2 The Issuer has obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the issue and performance of the Notes and the New Notes. The issue of the Notes and the New Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 26 January 2007.
- 3 Save as disclosed in the second, third and fourth bullet points under “Lloyds TSB Group — Recent Developments” on page 31 and page 32 hereof, there has been no significant change in the financial or trading position and no material adverse change in the prospects of Lloyds TSB Group since 31 December 2007, the date of the last published audited financial statements.
- 4 Save as disclosed in (1) “Lloyds TSB Group - Competitive environment - UK Office of Fair Trading” on page 27 and page 28 hereof regarding various actions by the OFT and the impact they may have on Lloyds TSB Group’s business (2) “Lloyds TSB Group - Legal actions” on page 26 hereof and (3) note 46 on page 132 of the Lloyds TSB Group plc Annual Report and Accounts 2007 (as incorporated by reference), neither the Issuer nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Base Prospectus which may have or have had in the recent past a significant effect on the Lloyds TSB Group’s financial position or profitability.
- 5 For so long as the Notes and the New Notes have not been redeemed, the following documents will be available, during usual business hours on any weekday (Saturday, Sunday and public holidays excepted), for inspection at the head office of Lloyds TSB Group plc, 25 Gresham Street, London EC2V 7HN, England:
  - 5.1 the Memorandum and Articles of the Issuer;
  - 5.2 the Annual Report and Accounts of the Issuer for the two financial years ending 31 December 2006 and 31 December 2007;
  - 5.3 a copy of this Base Prospectus together with any supplemental Prospectus or further Prospectus; and
  - 5.4 the Issuing and Paying Agency Agreement.
- 6 The Committee on Uniform Security Identification Procedures number (CUSIP) for the Notes is 53943E BA5.
- 7 The International Securities Identification Number (ISIN) for the Notes is US53943EBA55.
- 8 The Committee on Uniform Security Identification Procedures number (CUSIP) and the International Securities Identification Number (ISIN) in respect of the New Notes will be set out in the relevant New Note Final Terms.
- 9 The Notes have been accepted for trading in book-entry form by DTC. Acceptance by DTC of New Notes will be set out in the relevant New Note Final Terms. The address of DTC is 55 Water Street, New York, New York 10041.
- 10 PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors, (members of the Institute of Chartered Accountants in England and Wales) have audited, and rendered unqualified audit reports on, the annual consolidated published accounts of the Issuer and its subsidiaries, for the two financial years ended 31 December 2006 and 31 December 2007.

**THE ISSUER**

**Lloyds TSB Group plc**  
Henry Duncan House  
120 George Street  
Edinburgh EH2 4LH

**THE PLACEMENT AGENTS**

**Goldman, Sachs & Co.**  
85 Broad Street  
New York  
New York 10004  
USA

**Morgan Stanley & Co. Incorporated**  
1585 Broadway  
New York  
New York 10036  
USA

**THE ISSUING AND PAYING AGENT  
AND CALCULATION AGENT**

**Citibank, N.A.**  
388 Greenwich Street  
New York  
New York 10013  
USA