

LLOYDS
BANKING
GROUP



Lloyds Banking Group plc

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

U.S.\$1,000,000,000 Fixed-to-Floating Rate Non-Cumulative Callable Dollar Preference Shares represented by American Depositary Shares (Nominal value of U.S.\$0.25 each)

On 6 November 2006, Lloyds Banking Group plc (formerly Lloyds TSB Group plc) (the "Company" or "Lloyds Banking Group") published an offering memorandum (the "Original Offering Memorandum") relating to the issue of U.S.\$1,000,000,000 fixed-to-floating rate non-cumulative callable dollar preference shares (the "Preference Shares"), with a nominal value of U.S.\$0.25 each, which were sold in the form of American Depositary Shares ("ADSs") evidenced by American Depositary Receipts ("ADRs").

Each ADS represents one Preference Share. The Preference Shares may be held or transferred only in amounts having an aggregate liquidation preference of at least \$100,000. Accordingly, any holder must own at least 100 Preference Shares at any one time.

The Rule 144A ADSs are evidenced by a global Rule 144A ADR (the "Master Rule 144A ADR") and the Regulation S ADSs are evidenced by a global Regulation S ADR (the "Master Regulation S ADR" and, together with the Master Rule 144A ADR, the "Master ADRs"), each of which are in registered form and were deposited on 13 November 2006 (the "Issue Date") with a custodian for, and registered in the name of Cede & Co. as a nominee of, The Depository Trust Company ("DTC").

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "UK Listing Authority") for the Preference Shares and the ADSs 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 Preference Shares and ADSs to be admitted to trading on the London Stock Exchange's Regulated Market (the "Market"). References in this Prospectus to the Preference Shares or the ADSs being "listed" (and all related references) shall mean that the Preference Shares or the ADSs, as the case may be, have been admitted to the Official List and have been 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.

The Preference Shares, the ADSs and the ADRs have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act"), or the securities laws of any other United States jurisdiction. The ADSs were originally offered and sold in the United States solely to qualified institutional buyers ("QIBs") as defined in and in reliance on Rule 144A under the Securities Act (the "Rule 144A ADSs") and outside the United States to persons other than U.S. persons as defined in and in reliance on Regulation S under the Securities Act (the "Regulation S ADSs").

The Preference Shares, the ADSs, the ADRs and this Prospectus have not been approved or disapproved by the U.S. Securities and Exchange Commission or any state or foreign securities commission or any regulatory authority. The foregoing authorities have not confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offence.

None of the Preference Shares, ADSs and ADRs represent a deposit liability of the Company and none of them are insured by the United States Federal Deposit Insurance Corporation or any other governmental agency or compensation scheme in the United States, the United Kingdom or any other jurisdiction.

For a description of certain matters that prospective investors should consider, see the section "Risk Factors".

A copy of this document, which comprises a prospectus relating to both the Preference Shares and the ADRs prepared in accordance with the Prospectus Rules made under section 73A of FSMA, has been filed with the FSA and has been made available to the public as required by section 3.2 of the Prospectus Rules.

This prospectus may only be used for the purposes for which it has been published.

Prospectus dated 3 November 2009

This Prospectus comprises a prospectus for the purposes of Directive 2003/71/EC (the “Prospectus Directive”) and for the purpose of giving information with regard to the Lloyds Banking Group plc and its subsidiaries taken as a whole (together, the “Group”), and the Preference Shares and the ADRs which according to the particular nature of the Company, the Preference Shares and the ADRs, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company.

The Company accepts responsibility for the information contained in this document (the “Responsible Person”). To the best of the knowledge and belief of the Company (which has taken all reasonable care to ensure that such is the case), such information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

No person is, or has been, authorised to give any information or to make any representation other than as contained in this Prospectus in its entirety in connection with the Preference Shares and the ADRs and, if given or made, such information or representation must not be relied upon as having been authorised by the Company. The delivery of this Prospectus shall not, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date hereof or the date upon which this document has been most recently amended or supplemented or that any other information supplied in connection with the Preference Shares or the ADRs, as the case may be, is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. Neither this Prospectus nor any other information supplied in connection with the Preference Shares or the ADRs, 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 Group that any recipient of this Prospectus or any other information supplied in connection with the Preference Shares or the ADRs should purchase any Preference Shares or ADRs. Each investor contemplating acquiring any Preference Shares or ADRs should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Group. Neither this Prospectus nor any other information supplied in connection with the Preference Shares or ADRs constitutes an offer of, or an invitation by or on behalf of the Group to any person to subscribe for or purchase, any Preference Shares or ADRs.

This Prospectus does not constitute or form part of, and should not be construed as, an offer for sale or subscription of, or a solicitation of any offer to buy or subscribe for, the Preference Shares or the ADRs. The distribution of this document may nonetheless be restricted by law in certain jurisdictions. Persons into whose possession this document comes are required by the Company to inform themselves about, and to observe, any such restrictions. This Prospectus does not constitute an offering in any circumstances in which such offering is unlawful. The Company will not incur any liability for its own failure or the failure of any other person or persons to comply with the provisions of any such restrictions.

Neither Preference Shares, the ADSs nor the ADRs have been recommended by any United States federal or State securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offence.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to “U.S. dollars”, “dollars” or the signs “U.S.\$” or “\$” shall be construed as references to the lawful currency for the time being of the United States of America.

In this Prospectus, the terms “the Company”, “we”, “us” and Company refer to the Lloyds Banking Group plc and the term “Group” means the Lloyds Banking Group plc and its subsidiaries taken as a whole.

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DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the annual report and accounts of the Group for the financial years ended 31 December 2008, 31 December 2007 and 31 December 2006, which are available for inspection in accordance with the section “General Information – Documents Available” of this Prospectus. These documents are also available on the Company website at www.lloydsbankinggroup.com/investors.asp.

The table below sets out the various sections of the documents which are incorporated by reference into this prospectus so as to provide the information required under the Prospectus Rules and to ensure that potential investors and others are aware of all information which is necessary to enable them and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company.

(A) Information Incorporated by Reference

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2008 Circular	Section 9.2.5 of Part XIII (“Additional Information”).....	261-262
2008 Prospectus	Section 2 of Part B of Part VI (“Information on the Acquisition”)	62-68
May 2009 Prospectus.....		whole document
Lloyds Banking Group’s Articles of Association.....		whole documents
Rule 144A Deposit Agreement.....		whole document
Regulation S Deposit Agreement.....		whole document
Regulatory News Service Announcement dated 7 March 2009	Announcement made by Lloyds Banking Group on 7 March 2009 announcing the participation by the Group in the Government Asset Protection Scheme, a pre-emptive open offer and the redemption of the HMT Preference Shares	whole document
Rights Issue Prospectus.....	Part II (“Risk Factors -Risks Relating to the Group”).....	11-30
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Note:

- (1) Including such other information in the relevant Annual Report and accounts as is cross-referenced therein.
- (2) Part XXII (“Definitions”) of the Rights Issue Prospectus shall be incorporated by reference herein only to the extent that the relevant defined terms set out in such section are used within the other sections of the Rights Issue Prospectus listed in this Part XXIV and which are incorporated by reference into this document.

Unless otherwise specially incorporated by reference herein, information that is itself incorporated by reference in the above documents is not incorporated by reference into this document. It should be noted that, except as set forth above, no other portion of the above documents are incorporated by reference into this documents.

In addition, where sections of any of the above documents which are incorporated by reference into this document cross-reference other sections of the same document, such cross-referenced information shall not form part of this documents, unless otherwise incorporated by reference herein.

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

FORWARD-LOOKING STATEMENTS

This document and the information incorporated by reference to this document includes certain “forward-looking statements”. Statements that are not historical facts, including statements about the Company’s or its directors’ and or management’s beliefs and expectations are forward-looking statements. Words such as “believes”, “anticipates”, “estimates”, “expects”, “intends”, “aims”, “potential”, “will”, “would”, “could”, “considered”, “likely”, “estimate” and variations of these words and similar future or conditional expressions, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon future circumstances that may or may not occur, many of which are beyond the Company’s control and all of which are based on the Company’s current beliefs and expectations about future events. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which the Group will operate in the future. These forward-looking statements speak only as at the date of this document.

Investors should specifically consider all of the information set out in, and incorporated by reference into, this document before making any investment decision. In particular, investors should consider the risks, uncertainties and other factors as set out in the section Risk Factors of this document, which include general risks relating to the Group.

Except as required by the FSA, the London Stock Exchange, the Listing Rules, the Prospectus Rules, the Disclosure and Transparency Rules or any other applicable law or regulation, the Company expressly disclaims any obligations or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document or incorporated by reference into this document to reflect any change in the Group’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

SUMMARY

This summary must be read as an introduction to this Prospectus. Any investment decision relating to the Preference Shares or the ADRs should be based on a consideration by an investor of this Prospectus as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area (each an "EEA State"), the Responsible Person may have civil liability in respect of this summary if it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in an EEA State, the plaintiff may, under the national legislation of the EEA State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated. Capitalised terms used herein but not otherwise defined shall have the meanings as set out in "Description of the Preference Shares", "Description of the American Depositary Shares" and in "Definitions" in this document.

Risk Factors

The Group's operating results, financial condition and prospects could be materially and adversely affected by any of the risks described below.

Risks relating to the Group

- risks arising from general and sector specific economic conditions in the UK and other markets and further adverse economic developments;
- risks associated with HM Treasury's shareholding;
- risks relating to the aid given, or to be given by, HM Treasury to the Group being subject to state aid review, the outcome of which is uncertain and which may lead to the Group having to repay the aid or the imposition of conditions on the Group that may be significantly adverse to its interest and is expected to prevent the Group from paying dividends on its Ordinary Shares until 31 January 2012;
- risks associated with reform of the structure and regulation of the banking system set out in a White Paper issued by the UK Government in July 2009;
- risks arising from certain undertakings provided to HM Treasury in relation to the operation of the Group's business;
- risks of material negative changes to the estimated fair values of financial assets of the Group;
- risks of failing to realise benefits from, and incurring unanticipated costs associated with, the Acquisition;
- risks relating to insurance claims rates, pension scheme benefit payment levels and changes in insurance customer and employee pension scheme member behaviour;
- risks relating to contributing to compensation schemes in respect of banks and other authorised financial services firms in the UK that are unable to meet their obligations to customers;
- risks of assumptions and estimates on which the Group's financial statements are based being wrong;
- risk of reliance on dividends from subsidiaries; and
- risks associated with changes in taxation rates or law or interpretation of the law.

Risks relating to the Preference Shares:

- deferral or waiver by the Company of coupon payments on certain of its other securities may prevent the payment of dividends on, and the redemption or purchase of, the Preference Shares;
- dividends on the Preference Shares are discretionary and will not be declared or paid in full, or at all, if the Board of Directors so resolves;
- dividends on the Preference Shares are non-cumulative;
- if the Company is wound up, distributions to holders of the Preference Shares will be subordinated to the claims of creditors;
- no limitation on issuing senior debt securities or pari passu shares;
- absence of voting rights;
- the Preference Shares are perpetual securities;
- the Preference Shares may be redeemed at the option of the Company;
- liquidity; and
- taxation risks.

Overview of the Preference Shares

Capitalised terms used below have the same meanings as set out in "Description of the Preference Shares".

Issuer of the Preference Shares	Lloyds Banking Group plc.
The Preference Shares	U.S.\$1,000,000,000 Fixed-to-Floating Rate Non-Cumulative Callable Dollar Preference Shares of the Company, being 1,000,000 preference shares each with a nominal value of U.S.\$0.25, which are fully paid and non-assessable.
The ADSs	Each ADS represents one Preference Share. The Preference Shares may be held or transferred only in amounts having an aggregate liquidation preference of at least U.S.\$100,000. Accordingly, any holder must own at least 100 Preference Shares at any one time.
The ADRs	American Depositary Receipts evidence the ADSs. The Rule 144A ADSs and the Regulation S ADSs are evidenced by the Master ADRs, each of which are in registered form and were deposited on the Issue Date with a custodian for, and registered in the name of Cede & Co. as a nominee of, DTC.
Liquidation Preference (and Redemption Price)	U.S.\$1,000 per Preference Share.
Issue Date	13 November 2006.
Maturity	The Preference Shares are perpetual.
Ranking	The Preference Shares rank equally among themselves and with the Parity Securities and 2004 Preference Shares (each as defined herein) as regards participation in the profits of the Company and on a return of capital or a winding-up. The

Preference Shares rank senior to the Junior Share Capital (as defined herein) as regards participation in our profits and on a return of capital or a winding-up.

Dividends

Non-cumulative preferential dividends accrue on the Preference Shares from and including the Issue Date.

Dividends on the Preference Shares accrue when, as and if declared by the board of directors or a duly authorised committee thereof on each Preference Share initially at a fixed rate of 6.267% per annum on the amount of U.S.\$1,000 per Preference Share then outstanding, from (and including) the Issue Date and to (but excluding) 14 November, 2016 (the “Fixed Rate Dividend Period”), and thereafter, subject to redemption, at a floating rate of 1.035% per annum plus Three Month LIBOR (as defined herein) on the amount of \$1,000 per Preference Share then outstanding, excluding the date on which the Preference Shares are redeemed (the “Floating Rate Dividend Period”).

Dividends on the Preference Shares are and will be payable semi-annually in arrear in U.S. dollars on 14 May and 14 November of each year (each, a “Semi-Annual Dividend Payment Date”), commencing on 14 May 2007 and ending on 14 November 2016, and thereafter quarterly in arrear in U.S. dollars on 14 February, 14 May, 14 August and 14 November of each year, subject to adjustment.

Dividends on the Preference Shares may be paid only to the extent that payment can be made out of the distributable profits of the Company. The board of directors of the Company or a duly authorised committee thereof may resolve, for any reason and in its absolute discretion, not to declare or pay in full or in part any dividends on the Preference Shares in respect of one or more dividend periods.

Subject always to the existence of sufficient distributable profits and to remaining in compliance with the capital adequacy requirements of the Financial Services Authority or such other governmental authority in the United Kingdom (or, if we become domiciled in a jurisdiction other than the United Kingdom, in such other jurisdiction) having primary bank supervisory authority with respect to us, dividends on the Preference Shares will be mandatorily payable (as described under “Description of Preference Shares—Payment of Dividends”) on each Dividend Payment Date upon which (i) a Capital Disqualification Event (as defined herein) has occurred and (ii) the Company is in compliance with its Applicable Regulatory Capital Requirements (as defined herein).

If we do not declare or pay in full a dividend stated to be payable on the Preference Shares, then we shall not during the Dividend Stopper Period (as defined herein):

- (i) declare, pay or set aside any sum for the payment of any distribution or dividend or make any other payment on,

and will procure that no distribution or dividend or other payment is made on, any Junior Share Capital or the 2004 Preference Shares; or

- (ii) redeem, purchase, cancel, reduce or otherwise acquire in any other way any Junior Share Capital or the 2004 Preference Shares.

Rights upon Liquidation

If there is a return of capital or a distribution of assets, whether or not on a winding-up (but other than a redemption or purchase by us of any of our share capital permitted by our Articles of Association and under applicable law), a holder of a Preference Share will be entitled to receive a liquidation distribution of U.S.\$1,000 per Preference Share plus any accrued and unpaid dividends for the then-current dividend period.

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Redemption

The Preference Shares are perpetual securities and have no maturity date. However, subject to the Company's Articles of Association, the requirements of the Companies Act, other applicable laws and regulations and the terms and conditions of the Deed of Undertaking (as defined herein), the Company may redeem the Preference Shares, at its option, in whole (but not in part), on November 14, 2016 and every ten years thereafter on the Quarterly Dividend Payment Date falling in November. The redemption price payable on the redemption of the Preference Shares is equal to U.S.\$1,000 per Preference Share.

The Company may also redeem the Preference Shares in whole (but not in part) if a Regulatory Event (as defined in "Description of Preference Shares—Redemption") occurs.

Substitution

The Company may, subject to our Articles of Association, the Companies Act, compliance with all other laws and regulations applying to the Company and confirmation from the FSA that it has no objection, substitute the Preference Shares in whole (but not in part) with Qualifying Non-Innovative Tier 1 Securities (as defined herein), at any time without any requirement for consent or approval of the holders of Preference Shares.

Purchases

Subject to the requirements of our Articles of Association, the provisions of the Companies Act and U.S. securities laws and all other laws and regulations applying to the Company, the Company may at any time, and from time to time, purchase, or cause to be purchased for our account, all or any of the Preference Shares at any price and upon such other terms.

Preference Shares that the Company purchase in the open market will be cancelled.

Voting Rights

Subject to the two paragraphs below, a holder of the Preference Shares or ADSs, will not be entitled to receive notice of, attend or vote at any general meeting of our ordinary shareholders of the Company.

If any resolution is proposed for adoption by our holders of the Preference Shares which would vary or abrogate any of the rights or restrictions attached to the Preference Shares, or proposing that the Company be wound up, liquidated or dissolved, the holders of the outstanding Preference Shares will be entitled to receive notice of and to attend the general meeting of the Company shareholders at which the resolution is to be proposed and will be entitled to speak and vote on that resolution, but not on any other resolution.

Variation of Rights

The Company may not vary or abrogate the rights, preferences and privileges attached to the Preference Shares except as permitted by applicable law and pursuant to an extraordinary resolution adopted by holders of the Preference Shares or with the written consent of holders of at least 75% in nominal value of the outstanding Preference Shares.

Further Issues

Subject to the provisions set out in “Description of Preference Shares—Variation of Rights” in this Prospectus, the Company may, at any time and from time to time, and without any consent or sanction of the holders of the Preference Shares, create or issue further preference shares or other share capital ranking equal or junior to the Preference Shares.

No Additional Amounts

If at any time the Company are required by a tax authority to deduct or withhold taxes from payments made by them with respect to the Preference Shares, the Company will not pay additional amounts.

Registrar and Paying Agent

The Company’s secretarial department will maintain the register and it will act as registrar and paying agent for the Preference Shares.

Governing Law

The Preference Shares will be governed by and construed in accordance with Scottish law. The Deposit Agreements will be governed by and construed in accordance with the laws of the State of New York.

Listing and Trading

The Preference Shares and the ADSs are to be admitted to the Official List and to trading on the London Stock Exchange’s Market.

Preference Shares

ISIN No.: XS0460002693

Common Code: 46000269

Rule 144A ADS evidenced by the Master Rule 144A ADR

CUSIP No.: 539439 AA 7

ISIN No.: US539439AA71

Common Code: 027375120

Regulation S ADS evidenced by the Master Regulation S ADR

CUSIP No.: 539439 AB 5

ISIN No.: US539439AB54

Common Code: 027375260

RISK FACTORS

The Group's operating results, financial condition and prospects could be materially and adversely affected by any of the risks described below. In that event, the value of the Preference Shares or the ADRs could decline and investors could lose all or part of their investment in the Preference Shares or the ADRs.

This section describes the risk factors which are considered by the Company and its Directors to be material in relation to the Group, the Preference Shares and the ADRs.

These risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not presently known to the, Lloyds Banking Group and its Directors, or which they currently deem immaterial, may also have an adverse effect on the Group's operating results, financial condition and prospects. The information given is as of the date of this document and, except as required by the FSA, the London Stock Exchange, the Listing Rules, the Prospectus Rules, the Disclosure and Transparency Rules or any other applicable law or regulation, will not be updated. Any forward-looking statements are made subject to the reservations specified under "Forward-Looking Statements" on page 8 of this document.

You should consider carefully the risks and uncertainties described below, together with all other information contained in this document and the information incorporated by reference herein, before making any investment decision.

1 Risks relating to the Group

Risk factors relating to the Group are set out on pages 11 - 33 of Part II ("Risk Factors") of the Rights Issue Prospectus, and are incorporated by reference into this document.

2 Risk factors relating to the Preference Shares and the ADRs

2.1 *Deferral or waiver by the Company of coupon payments on certain of its other securities may prevent the payment of dividends on, and the redemption or purchase by the Company of, the Preference Shares*

Certain issued securities of the Company ranking in priority to or *pari passu* with Preference Shares may contain provisions to the effect that if a dividend is not declared or paid in full or a coupon not paid on them, then the Company will be restricted from paying dividends on, and/or redeeming or purchasing any of the Preference Shares, as the case may be.

2.2 *Dividends on the Preference Shares are discretionary and may not be declared or paid in full, or at all, if the Board of Directors so resolves*

The Board of Directors or the Committee may resolve, in its absolute discretion, in respect of any dividend period, not to pay in full, or at all, the dividend on the Preference Shares for that dividend period.

The Company in any event may pay dividends on the Preference Shares only if and to the extent that payment can be made out of the profits of the Company available for distribution and permitted to be distributed. The Company is the holding company of the Group and as such the profits which it has available for distribution will be affected by the level of ordinary and preference dividends it receives on the ordinary and preference shares which it holds in other members of the Group. The ability of the Company to declare and pay a dividend on the Preference Shares is also subject to compliance with the then existing capital adequacy requirements of the FSA.

2.3 Dividends on the Preference Shares are non-cumulative

The dividends on the Preference Shares are non-cumulative. Accordingly, to the extent that any dividend or part thereof is on any occasion not declared and paid for any reason, holders of Preference Shares will not have a claim in respect of the dividend accrued for the relevant dividend period or for interest on the dividend, whether or not dividends on the Preference Shares are declared for any future dividend period.

2.4 If the Company is wound up, distributions to holders of the Preference Shares will be subordinated to the claims of creditors

On a return of capital or distribution of assets, whether or not on a winding-up (but other than a redemption or purchase by the Company of any of its share capital), holders of Preference Shares will be entitled to distributions in liquidation only after the claims of all creditors of the Company have been satisfied.

2.5 No limitation on issuing senior debt securities or *pari passu* shares

There is no restriction on the amount of debt which the Company may incur which ranks senior to the Preference Shares or, subject to the Company having paid the most recent dividend payable on the Preference Shares in full, on the amount or terms of securities which the Company may issue which rank *pari passu* with the Preference Shares. The issue of any such debt or securities may reduce the amount recoverable by holders of the Preference Shares on a winding-up or other return of capital of the Company or may increase the likelihood of a suspension of distributions in respect of the Preference Shares.

2.6 Absence of voting rights

Holders of Preference Shares will only be entitled to receive notice of and to attend any general meeting of shareholders of the Company and to speak or vote upon any resolution proposed at such meeting if a resolution is proposed either varying or abrogating any of the rights and restrictions attached to the Preference Shares or to wind-up, or in relation to the winding-up of, the Company (and then in each case only to speak and vote upon any such resolution) subject to certain terms and conditions as more particularly described in the section "Description of the Preference Shares".

2.7 Perpetual securities

The Company is under no obligation to redeem the Preference Shares at any time and the holders of the Preference Shares have no right to call for their redemption.

2.8 The Preference Shares may be redeemed at the option of the Company

Subject to confirmation from the FSA that it has no objection (if required) and to compliance with the FSA's capital adequacy requirements (to the extent they apply at the time) and United Kingdom company law requirements as to the manner of financing any redemption of redeemable shares, the Preference Shares may be redeemed at the option of the Company in whole but not in part on 14 November 2016 and every ten years thereafter on the Quarterly Dividend Payment Date falling in November at a price of U.S \$1,000 per Preference Share and (b) in whole (but not in part) at any time if a Regulatory Event (as defined in "Description of Preference Shares") occurs at a price equal to the Fixed Rate Special Redemption Price or the Floating Rate Special Redemption Price, as applicable (each as defined in "Description of Preference Shares").

2.9 Liquidity

Although application will be made for the Preference Shares to be admitted to trading on the London Stock Exchange, there can be no assurance that an active public market for such Preference Shares will develop. The liquidity and the market prices for the Preference Shares can

be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Company and other factors that generally influence the market prices of securities.

The market price of the Preference Shares could be volatile and subject to significant fluctuations due to a variety of factors, including changes in sentiment in the market regarding the company's or the Group's operations, variations in the Company's or the Group's operating results, business developments of the Company or the Group or its competitors, the operating and share price performance of other companies in the industries and markets in which the Company or the Group operate, or speculation the Company's or the Group's business in the press, media or investment community. Stock markets have from time to time, including recently and particularly with respect to certain financial institution shares, experienced significant price and volume fluctuations which have affected market prices for securities which may be unrelated to the Company's or the Group's operating performance or prospects. Furthermore, the Company's or the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Preference Shares.

In general, prospective investors should be aware that the value of an investment in the Company or the Group may go down as well as up. The market value of the Preference Shares can fluctuate and may not always reflect the underlying asset value or prospects of the Group.

2.10 *Payments of dividends in respect of, and issues and transfers of, Preference Shares may give rise to certain United Kingdom taxes*

Payments of dividends in respect of, and issues and transfers of Preference Shares may give rise to certain United Kingdom tax obligations. See the section "United Kingdom Taxation". While under current United Kingdom tax law the Company may make payment of dividends free of UK withholding tax, if the laws were to change, the Company would be under no obligation to pay any additional amounts in respect of any UK withholding taxes.

2.11 *Implications of holding Preference ADSs in registered form*

Preference shares in the form of share warrants to bearer each representing one Preference Share are capable of being surrendered in exchange for Preference Shares in registered form. Prospective investors should note that, generally, a transfer of (or agreement to transfer) Preference Shares in registered form is subject to 0.5 per cent. UK stamp duty, or SDRT, on the amount or value of the consideration, payable by the transferee. It should be noted that UK stamp duty, or SDRT, would, subject to certain exceptions, be payable at the rate of 1.5 per cent. of the value of each Preference Share in registered form on any instrument or agreement pursuant to which such Preference Shares are transferred: (i) to, or to a nominee or agent for, a person whose business is or includes the provision of clearance services; or (ii) to, or to a nominee or agent for a person whose business is or includes issuing depositary receipts. There should be no such stamp duty or SDRT on a transfer of or agreement to transfer Preference Shares held in a clearance system or represented by a depositary receipt. This different tax treatment may mean that Preference Shares in registered form trade separately from Preference Shares which are represented by a ADRs, and consequently there may be an increased risk of illiquidity in relation to any Preference Shares held in registered form.

2.12 *Disadvantages associated with withdrawal of underlying ADS Preference Shares*

If a holder chooses to take delivery of Preference Shares underlying its ADSs, provided Preference Share are not transferred: (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, neither UK stamp duty nor SDRT should be

payable at the rate of 1.5 per cent. on the exchange. However, a subsequent transfer of (or agreement to transfer) Preference Shares in registered form is subject to 0.5 per cent. UK stamp duty or SDRT as described in the paragraph under the sub-heading “Implications of holding New Preference ADSs in registered form” above.

DESCRIPTION OF PREFERENCE SHARES

The following description of the Preference Shares is subject to, and qualified in its entirety by reference to, the Company's Articles of Association, as amended. The description is copied in its entirety, without amendment, from the Original Offering Memorandum dated 6 November 2006, and therefore references in the sections "Description of Preference Shares" and "Description of American Depositary Shares" below to this Offering Memorandum shall refer to the text of the Original Offering Memorandum.

General

Under our Articles of Association, our board of directors or an authorized committee of the board of directors is empowered to provide for the issuance of U.S. dollar-denominated Preference Shares only if a resolution of our shareholders has authorized, or granted general authority to our board of directors to authorize, the allotment.

The Preference Shares will rank equally among themselves and with the Parity Securities and the 2004 Preference Shares (each as defined below) as regards participation in our profits and on a return of capital or a winding-up. The Preference Shares will rank senior to our Junior Share Capital as regards participation in our profits and on a return of capital or a winding up.

Form and Denomination

The Preference Shares will, when issued, be fully paid and, as such, will not be subject to a call for any additional payment. For each Preference Share issued, an amount equal to its nominal value of \$0.25 will be credited to the Company's issued share capital account and an amount of \$999.75, being the difference between its nominal value and issue price, will be credited to the Company's share premium account.

The Preference Shares will be represented by a share warrant to bearer, within the meaning of the Companies Act, in the form of a single global share warrant to bearer (the "Global Share Warrant"). The Global Share Warrant will be deposited with the ADR depository under the Deposit Agreements (the "Depository"). We may consider the Depository to be a single holder of Preference Shares so deposited for all purposes.

Title to the Preference Shares represented by a share warrant to bearer will pass by delivery of the relevant bearer share warrant without any written transfer and without registration. Subject to our Articles of Association and the Companies Act, the bearer of the share warrant for the Preference Shares shall be deemed to be a shareholder and shall be entitled to the same privileges and advantages as it would have had if the bearer's name had been included in the Company's register of members as the holder of the Preference Shares specified in the share warrant.

Upon the surrender by the bearer of a share warrant, together with the outstanding dividend coupons (if any) in respect thereof, to the Company for cancellation and delivery of an application in writing signed by the bearer, in any form which the board of directors approves, requesting that the bearer of the share warrant should be registered as a shareholder in respect of the Preference Shares included in the share warrant, the bearer of a share warrant shall be entitled to have his name entered as a member in the register of members of the Company in respect of the Preference Shares included in the share warrant and shall receive a certificate in such holder's name. However, the Company shall not be responsible for any loss or damage incurred by any person who is not the true and lawful owner of the share warrant surrendered.

Title to the Preference Shares in registered and certificated form (if any) will pass by transfer and registration in the register of members of the Company in accordance with our Articles of Association.

Definitive share certificates will not be available to holders of Preference Shares. Temporary documents of title will not be issued. After delivery of the share warrant to the custodian for DTC, Preference Shares in registered form will not be exchangeable, in whole or in part, for Preference Shares represented by a share warrant to bearer.

Each exchange or registration of a transfer of Preference Shares in registered form will be effected by entry on the register for the Preference Shares kept by the Company's registrar at its office in the UK. Any exchange or registration of a transfer will be effected without charge to the person requesting the exchange or registration, but the requesting person will be required to pay any related taxes, stamp duties or other governmental charges.

Payments in respect of any amount payable by way of dividend or on redemption in respect of the Preference Shares represented by the Global Share Warrant will be made to, or to the order of, the Depository or its nominee, as holder of the Global Share Warrant. The Depository shall be the only person entitled to receive payments by way of dividend or on redemption in respect of the Preference Shares represented by the Global Share Warrant. See "Description of American Depositary Shares" for a description of payments by the Depository to the holders of ADSs.

The Global Share Warrant is exchangeable in whole or in part by the Depository for Preference Shares in registered form. Upon surrender of ADRs by any holder of ADSs for delivery of registered Preference Shares, the Depository will request the Company to exchange the Global Share Warrant for Preference Shares in registered form to the extent of such holder's request. Upon such exchange, the holder of ADSs surrendered will receive Preference Shares in registered form from the Depository and the Depository will receive a new Global Share Warrant representing the remaining Preference Shares not issued in registered form. See "Description of American Depositary Shares".

The exchange of Preference Shares represented by a share warrant to bearer for Preference Shares in registered form will also be subject to applicable UK tax laws and regulations in effect at the time of the exchange. No exchange will be made unless any resulting taxes, stamp duties or other governmental charges have been paid to the Company.

For more information, see "Description of American Depositary Shares".

Dividends

Dividend Rights

Subject to the limitations, discretions and qualifications set out herein, each Preference Share shall entitle the holder thereof to receive out of distributable profits of the Company a non-cumulative preferential dividend on the Preference Shares, which will accrue from (and including) the Issue Date, in priority to the payment of any dividend to the holders of any class of Junior Share Capital (as defined below) and *pari passu* in such regard with the holders of any other class of preference shares in the capital of the Company or other Parity Securities (as defined below).

Dividends on the Preference Shares will accrue when, as and if declared by the board of directors or a duly authorized committee thereof. Dividends on the Preference Shares will be payable in U.S. dollars semi-annually in arrear on each Semi-Annual Dividend Payment Date commencing on May 14, 2007 and ending on November 14, 2016 and thereafter quarterly in arrear on each Quarterly Dividend Payment Date, subject to adjustment in accordance with the Modified Following Business Day Convention (as defined below). Such dividends will be paid to those holders of Preference Shares whose names appear on the register of members of the Company on the date stated in the resolution passed by the board of directors or a duly authorized committee thereof for payment of the dividend (if any) or to the holder of a share warrant to bearer (such holders are expected to be the Depository or its nominee as the holder of the Global Share Warrant represented by the ADSs).

Dividends on the Preference Shares may be paid only to the extent that payment can be made out of our distributable profits. Except as described below, dividends will accrue and will be payable when, as, and if declared by the board of directors or a duly authorized committee thereof on the amount of \$1,000 per Preference Share then outstanding.

Our board of directors or a duly authorized committee thereof may resolve, for any reason and in its absolute discretion, not to declare or pay in full or in part any dividends on the Preference Shares in respect of one or more dividend periods. For more information, see “—Declaration of Dividends” below.

Any right to receive a dividend on the Preference Shares will be non-cumulative. For more information, see “—Further Provisions Relating to the Payments of Dividends” below.

“Junior Share Capital” means our ordinary shares, or any other shares ranking, or expressed to rank junior to the Preference Shares (either issued directly by the Company or by a subsidiary undertaking and the terms of which securities benefit from a guarantee or support agreement ranking or expressed to rank junior to the Preference Shares).

“Parity Securities” means the most senior ranking class or classes of preference shares in the capital of the Company from time to time and any other obligations ranking or expressed to rank *pari passu* with the Preference Shares other than the 2004 Preference Shares, including the £600 million 6.369% Non-Cumulative Callable Preference Shares issued in 2006.

“2004 Preference Shares” means the 400 6% Non-Cumulative Redeemable Preference Shares of £0.25 par value each issued in 2004.

“Modified Following Business Day Convention” means if a Dividend Payment Date falls on a day which is not a Business Day, such Dividend Payment Date shall be postponed to the next day which is a Business Day unless it would fall into the next calendar month in which event such Dividend Payment Date shall be brought forward to the immediately preceding day which is a Business Day.

“Business Day” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and the City of New York.

Declaration of Dividends

If, in the opinion of the board of directors or a duly authorized committee thereof, the distributable profits of the Company are sufficient to cover the payment in full of dividends accrued on the Preference Shares during the dividend period immediately preceding the relevant Dividend Payment Date and also the payment in full of all other dividends and other amounts stated to be payable on such date on any Parity Securities in issue (including any arrears of dividends and other amounts on any such Parity Securities which have rights to cumulative dividends and other amounts), the board of directors or a duly authorized committee thereof may:

- (a) declare and pay in full dividends on the Preference Shares on each Dividend Payment Date;
or
- (b) in their sole and absolute discretion resolve at least 10 Business Days prior to any Dividend Payment Date that no dividends shall be declared and paid on the Preference Shares or that the dividend on the Preference Shares shall be declared and paid only in part.

Notwithstanding the discretion of the board of directors or an authorized committee thereof described in (a) and (b) above, subject always to the existence of sufficient distributable profits and subject to the immediately following paragraph, dividends on the Preference Shares will be mandatorily payable as described under “—Payment of Dividends” on each Dividend Payment Date upon which (i) a

Capital Disqualification Event (as defined below) has occurred and (ii) the Company is in compliance with its Applicable Regulatory Capital Requirements (as defined below).

If, however, in the opinion of the board of directors or a duly authorized committee thereof, the payment of any dividend on the Preference Shares would breach or cause a breach of the capital adequacy requirements of the FSA that apply at that time to the Company and/or any of its subsidiaries, then no dividend shall be declared or paid unless the FSA confirms that it has no objection to such declaration or payment.

The Companies Act defines “distributable profits” as, in general terms and subject to adjustment, accumulated realized profits less accumulated realized losses.

A “Capital Disqualification Event” shall be deemed to have occurred if (a) the Preference Shares would cease to be eligible to qualify (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) as regulatory capital for the Company under Applicable Regulatory Capital Requirements and (b) the FSA has confirmed to the Company that the Preference Shares would cease to be eligible to qualify as regulatory capital for the Company.

“Applicable Regulatory Capital Requirements” means any requirements contained in Capital Regulations for the maintenance of capital from time to time applicable to the Company on a solo and/or consolidated basis, including transitional rules and waivers.

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

If, at least 10 Business Days prior to a Dividend Payment Date, the board of directors or a duly authorized committee thereof considers that the distributable profits of the Company are insufficient to cover the payment in full of dividends on the Preference Shares and also the payment in full of all other dividends or other amounts stated to be payable on such Dividend Payment Date on any Parity Securities (including any arrears of dividends and other amounts on any such Parity Securities which have rights to cumulative dividends or other amounts), then, subject as provided above to the restrictions relating to the Company’s capital adequacy requirements and subject always to sub-paragraph (b) above, the board of directors or a duly authorized committee thereof may declare a reduced dividend on the Preference Shares. Any reduced dividend will be paid in proportion to the dividends and other amounts which would have been due on the Preference Shares and any other shares and other instruments of the Company on such Dividend Payment Date which are expressed to rank equally with the Preference Shares as regards participation in profits (including any arrears of dividends and other amounts on any such Parity Securities which have rights to cumulative dividends or other amounts) if there had been sufficient profits.

As soon as practicable after resolving that no dividends shall be declared and paid or that they shall be declared and paid only in part, the board of directors or a duly authorized committee thereof shall give notice thereof to the holders of the Preference Shares.

Payment of Dividends

Subject to the discretions, limitations and qualifications referred to under “—Dividend Rights” and “—Declaration of Dividends” above and “—Restrictions on Dividends and Redemption” below, the Company will pay dividends on the Preference Shares out of its distributable profits in U.S. dollars:

- (a) at the fixed rate of 6.267% per annum on the amount of \$1,000 per Preference Share then outstanding during the Fixed Rate Dividend Period. During the Fixed Rate Dividend Period, dividends will be payable semi-annually in equal instalments in arrear in U.S. dollars on the Semi-Annual Dividend Payment Dates, commencing on May 14, 2007 and ending on November 14, 2016 on the basis of 30 day months and a 360 day year. The dividend on each Preference Share during any such full semi-annual dividend period will therefore amount to \$31.34 except in respect

of the period from (and including) the Issue Date to (but excluding) the first Semi-Annual Dividend Payment Date, which will amount to \$31.51; and

- (b) at the floating rate per annum equal to 1.035% plus Three Month LIBOR (as defined below) on the amount of \$1,000 per Preference Share then outstanding during the Floating Rate Dividend Period. During the Floating Rate Dividend Period, dividends will be payable quarterly in arrear in U.S. dollars on the Quarterly Dividend Payment Dates. In respect of the Floating Rate Dividend Period, the amount of dividend accruing in respect of any dividend period will be calculated on the basis that the actual number of days in the dividend period in respect of which payment is being made is divided by 360.

Where a Redemption Notice (as defined below) specifies a Redemption Date (as defined below) which is not a Business Day, the amount of any accrued but unpaid dividend payable shall be calculated up to (but excluding) such Redemption Date. The period from (and including) the preceding Dividend Payment Date (or if none, the Issue Date) to (but excluding) such Redemption Date shall constitute a dividend period as that term is defined below. Payment of such dividend shall occur upon the day next following such Redemption Date which is a Business Day.

A “dividend period” is the period from and including the most recent Dividend Payment Date (or the Issue Date) to but excluding the next succeeding Dividend Payment Date.

“Three Month LIBOR” means the three month London interbank offered rate for deposits in U.S. dollars which appears on page 3750 of the Telerate Monitor (or such other page or service as may replace it for displaying such information) as of 11:00 a.m., London time, on the second London banking day prior to the first day of the relevant dividend period; *provided* that, if, at such time, no such rate appears or the relevant Telerate Monitor page is unavailable, it shall mean the rate calculated by the Company as the arithmetic mean of at least two offered quotations obtained by the Company after requesting the principal London offices of each of four major reference banks in the London interbank market, to provide the Company with its offered quotation for deposits for three months in U.S. dollars commencing on the first day of the relevant dividend period to prime banks in the London interbank market at approximately 11:00 a.m., London time, on the second London banking day prior to the first day of the relevant dividend period and in a principal amount that is representative for a single transaction in U.S. dollars in that market at that time; *provided further* that if fewer than two such offered quotations are provided as requested, it shall mean the rate calculated by the Company as the arithmetic mean of the rates quoted at approximately 11:00 a.m., New York City time, on the first day of the relevant dividend period, by three major banks in New York City selected by the Company for loans for three months in U.S. dollars to leading European banks and in a principal amount that is representative for a single transaction in U.S. dollars in that market at that time; *provided, however*, that if the banks selected by the Company are not quoting as mentioned above, it shall mean three month U.S. dollar LIBOR in effect as at the last preceding dividend period.

“London banking day” means any day on which dealings in U.S. dollars are transacted or, with respect to any future date, are expected to be transacted in the London interbank market.

Further Provisions Relating to the Payments of Dividends

Any right to receive a dividend on the Preference Shares will be non-cumulative. Subject as provided below, if and to the extent that the Company’s board of directors or a duly authorized committee thereof does not declare a dividend (or any part of a dividend) payable on a Dividend Payment Date in respect of the Preference Shares, then a holder of Preference Shares will not be entitled to make any claim in respect of such non-payment. Except as described in this Offering Memorandum, holders of the Preference Shares will have no right to participate in the Company’s profits.

If it subsequently becomes apparent that any dividend on the Preference Shares which has been paid should not have been paid, then, provided the board of directors or a duly authorized committee

thereof have acted in good faith, they will not incur any liability for any loss which any holder of Preference Shares may suffer in consequence of such payment having been made.

The board of directors or a duly authorized committee thereof can decide to pay unclaimed dividends into a separate account and the Company will not be a trustee of this money and will not be liable to pay interest on it. Any dividend unclaimed after a period of 12 years from the date the dividend became due for payment will, if the board of directors or a duly authorized committee thereof so resolves, be forfeited and will revert to the Company.

If payment of any dividend is to be made on a Semi-Annual Dividend Payment Date which is not a Business Day, then payment of such amount will be made on the next succeeding Business Day, without any interest or payment in respect of such delay.

Restrictions on Dividends and Redemption

If the Company has not declared or paid in full a dividend stated to be payable on the Preference Shares, then the Company shall not during the Dividend Stopper Period (as defined below):

- (a) declare, pay or set aside any sum for the payment of any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, any Junior Share Capital or the 2004 Preference Shares; or
- (b) redeem, purchase, cancel, reduce or otherwise acquire in any other way, any Junior Share Capital or the 2004 Preference Shares.

“Dividend Stopper Period” means with respect to any Dividend Payment Date or the equivalent term in respect of any Parity Security, one calendar year from and including the earlier of the date (i) on which a full dividend is not paid on the Preference Shares or (ii) on which a full scheduled dividend or distribution on any Parity Security has not been paid.

Rights Upon Liquidation

If there is a return of capital or distribution of assets whether or not on a winding-up (but other than a redemption or purchase by us of any of our share capital permitted by our Articles of Association and under applicable law), the holders of the outstanding Preference Shares will rank in the application of the assets of the Company available to shareholders: (1) equally in all respects with holders of the most senior class of preference shares and any other class of shares of the Company in issue or which may be issued by the Company which are expressed to rank equally with the Preference Shares (or other securities expressed to rank *pari passu* with the Preference Shares, including the £600 million 6.369% Non-Cumulative Callable Preference Shares issued in 2006) and the 2004 Preference Shares and (2) in priority to the holders of any other share capital of the Company (including the Junior Share Capital).

Subject to such ranking, in such event holders of the Preference Shares will be entitled to receive liquidating distributions as set forth below.

Liquidating distributions will:

- come from the surplus assets of the Company remaining after payment of the Company’s prior ranking liabilities; and
- will be a sum equal to the aggregate of (i) the liquidation value of \$1,000 per Preference Share; (ii) the amount of any dividend which is due for payment on the Preference Shares on or after the date of commencement of the winding up or other return of capital but which is payable in respect of a period ending on or before such date; and (iii) the proportion of any dividend (whether or not declared or earned) that would otherwise be payable and is not otherwise paid in respect of any period that begins before, but ends after, the date of

commencement of the winding-up or other return of capital and which is attributable to the part of the period that ends on such date.

In respect of any such dividend, the amount of dividend accruing in respect of any such period will be calculated on the same basis as is applicable to calculation of a dividend accruing on the then-relevant basis.

If, upon any return of capital or distribution of assets, the amounts available for payment are insufficient to cover the amounts payable in full on the Preference Shares and any Parity Securities and the 2004 Preference Shares, holders of the Preference Shares and holders of such Parity Securities and the 2004 Preference Shares will share pro rata in the distribution of surplus assets (if any) of the Company in proportion to the full amounts to which they are respectively entitled.

After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Preference Shares will have no claim on any of our remaining assets and will not be entitled to any further participation in the return of capital. If there is a sale of all or substantially all of our assets, the distribution to our shareholders of all or substantially all of the consideration for the sale, unless the consideration, apart from assumption of liabilities, or the net proceeds consists entirely of cash, will not be deemed a return of capital in respect of our liquidation, dissolution or winding-up.

Redemption

Subject to the requirements of our Articles of Association (including the restrictions described under “Restrictions on Dividends and Redemption” above), the Companies Act, other laws and regulations applicable to us and the terms and conditions of the Deed of Undertaking (as defined below), and subject to confirmation from the FSA that it has no objection to the redemption (if such confirmation is required, in which case the FSA may impose conditions on the redemption), we may, at our option, redeem the Preference Shares in whole (but not in part). The Preference Shares are redeemable on November 14, 2016 (the “First Call Date”), and every 10 years thereafter on the Quarterly Dividend Payment Date falling in November (each such date upon which Preference Shares may be redeemed being an “Optional Redemption Date”). The amount payable on the Preference Shares so redeemed (the “Redemption Price”) will be the amount of the liquidation preference of \$1,000 per Preference Share to be redeemed.

If a Regulatory Event (as defined below) occurs, we may, at our option, redeem the Preference Shares in whole (but not in part) on any dividend payment date other than an Optional Redemption Date (a “Special Redemption Date” and, together with an Optional Redemption Date, a “Redemption Date”), subject to the requirements of our Articles of Association, the Companies Act, other laws and regulations applicable to us and the terms and conditions of the Deed of Undertaking (as defined below), and subject to confirmation from the FSA that it has no objection to the redemption (if such confirmation is required, in which case the FSA may impose conditions on the redemption). The amount payable on Preference Shares redeemed in the event of a Regulatory Event will be, in respect of each Preference Share, (i) the Fixed Rate Special Redemption Price (as defined below) if such redemption occurs prior to the First Call Date or (ii) the Floating Rate Special Redemption Price (as defined below) if such redemption occurs after the First Call Date on any date which is not an Optional Redemption Date. Prior to the publication of any notice of redemption pursuant to the foregoing, two directors of the Company must sign a certificate confirming that a Regulatory Event (as defined below) has occurred.

If the Preference Shares are to be redeemed, the Company must give a written notice of redemption (a “Redemption Notice”) to the holders of the Preference Shares, not less than 30 days nor more than 60 days prior to the Redemption Date. Each Redemption Notice will specify (i) the Redemption Date and (ii) the Redemption Price, the Fixed Rate Special Redemption Price (as defined

below) or the Floating Rate Special Redemption Price (as defined below), as the case may be. No defect in the Redemption Notice or in its services will affect the validity of the redemption proceedings.

Payments in respect of the amount due on redemption of a Preference Share will be made by check drawn on a bank in The City of New York or, upon the request of the holder or joint holders not later than the date specified for the purpose in the Redemption Notice, by transfer to an account maintained by the payee with a bank in The City of New York or such other method as the board of directors or a duly authorized committee thereof may specify in the Redemption Notice. If the date scheduled for such payment falls upon a day which is not a Business Day, payment shall be made on the next day which is a Business Day without interest or other additional payment for such delay. In the case of Preference Shares held in certificated form or in share warrant to bearer form, such payment will be made against presentation and surrender of the relevant share certificate or share warrant at the place or any of the places specified in the Redemption Notice. All payments in respect of the Redemption Price, the Fixed Rate Special Redemption Price (as defined below) or the Floating Rate Special Redemption Price (as defined below), as the case may be, will be made after complying in all respects with any applicable fiscal or other laws. All payments in respect of the Redemption Price, the Fixed Rate Special Redemption Price (as defined below) or the Floating Rate Special Redemption Price (as defined below), as the case may be, which have remained unclaimed for 12 years from the date they became due for payment shall be forfeited and shall revert to the Company.

From the Redemption Date, the dividend will cease to accrue on the Preference Shares being redeemed except on any Preference Share in respect of which payment of the Redemption Price due on the Redemption Date is improperly withheld or refused. In such case, the dividend will be deemed to have continued and will accordingly continue to accrue at the rate which would have applied but for the redemption, as described under “—Payment of Dividends” above, from the Redemption Date to the actual date of payment of the Redemption Price. Such Preference Share will not be treated as having been redeemed until the Redemption Price, including any accrued but unpaid dividends, has been paid.

A receipt given by the holder for the time being of any Preference Shares (or in the case of joint holders by the first-named joint holder) in respect of the amount payable on redemption of such Preference Shares will constitute an absolute discharge to the Company.

“Deed of Undertaking” means the deed of undertaking granted by the Company in relation to the redemption of the Preference Shares to be dated the Issue Date, pursuant to which the Company agrees not to redeem the Preference Shares except in accordance with their terms, notwithstanding certain provisions of the Companies Act. We shall as soon as reasonably practicable deliver, or shall procure the delivery of, a copy of the Deed of Undertaking to any holder of Preference Shares or ADSs who requests the same.

“Regulatory Event” means a decision by the FSA that securities of the nature of, and including, the Preference Shares can no longer qualify as Non-Innovative Tier 1 Capital.

“Non-Innovative Tier 1 Capital” means capital qualifying for Tier 1 capital treatment over the current 15% limitation established for Innovative Tier 1 capital within the requirements laid down in the FSA’s Integrated Prudential Sourcebook (as amended from time to time) or any successor publication replacing such guide or is issued capital of the Company regardless of name or designation.

“Fixed Rate Special Redemption Price” means the greater of (i) the liquidation preference of \$1,000 per Preference Share and (ii) the Fixed Rate Make Whole Amount.

“Fixed Rate Make Whole Amount” means the amount equal to the sum of the present value of the liquidation preference of \$1,000 per Preference Share, together with the present values of the scheduled non-cumulative dividends per Preference Share from the Special Redemption Date to the First Call Date,

in each case, discounted to the Special Redemption Date on a semi-annual compounded basis at the adjusted U.S. Treasury Rate plus 0.50%.

“Floating Rate Special Redemption Price” means the greater of (i) the liquidation preference of \$1,000 per Preference Share and (ii) the Floating Rate Make Whole Amount.

“Floating Rate Make Whole Amount” means the amount equal to the sum of the present value of the liquidation preference of \$1,000 per Preference Share, together with the present values of the scheduled non-cumulative dividends per Preference Share from the Special Redemption Date to the next Optional Redemption Date, in each case, discounted to the Special Redemption Date on a quarterly compounded basis at the Three Month LIBOR rate for the dividend period immediately preceding the Special Redemption Date.

“U.S. Treasury Rate” means the rate per annum equal to the yield, under the heading that represents the average for the week immediately preceding the third Business Day prior to the relevant redemption date, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities”.

Substitution

Subject to the Articles of Association (including the restrictions described under “—Restrictions on Dividends and Redemption” above), the provisions of the Companies Act and all other laws and regulations applying to the Company and to prior confirmation from the FSA that it has no objection (if such confirmation is required, in which case, the FSA may impose conditions on the redemption or substitution), the Company may substitute the Preference Shares in whole (but not in part) with Qualifying Non-Innovative Tier 1 Securities (as defined below) at any time (the date of such substitution, the “Substitution Date”) without any requirement for consent or approval of the holders of the Preference Shares.

Upon such substitution, the proceeds of redemption of the Preference Shares shall be mandatorily applied to the subscription or purchase of the Qualifying Non-Innovative Tier 1 Securities (as defined below) so issued.

The Company must give a written notice of substitution to the holders of the Preference Shares, not less than 30 days nor more than 60 days prior to the Substitution Date. Prior to the publication of any notice of substitution pursuant to the foregoing provisions, the Company must first deliver to the Registrar a certificate, which shall be available for inspection by holders of the Preference Shares, signed by two directors of the Company, certifying that the securities to be offered in substitution for the Preference Shares are, and an independent investment bank appointed by the Company for the purposes of making such assessment agrees that they are, Qualifying Non-Innovative Tier 1 Securities.

“Qualifying Non-Innovative Tier 1 Securities” means securities whether debt, equity or otherwise, issued directly or indirectly by the Company that have terms not materially less favourable to a holder of Preference Shares, as reasonably determined by an independent investment bank appointed by the Company, than the terms of the Preference Shares, provided that they shall (1) include a ranking at least equal to that of the Preference Shares, (2) have the same dividend or distribution rate or rate of return and Dividend Payment Dates from time to time applying to the Preference Shares, (3) have the same Redemption Dates as the Preference Shares, (4) be issued in an amount at least equal to the total number of Preference Shares multiplied by \$1,000, (5) comply with the then current requirements of the FSA in relation to Non-Innovative Tier 1 Capital, and (6) preserve any existing rights under the Preference Shares to any accrued dividend which has not been paid in respect of the period from (and

including) the Dividend Payment Date last preceding the Substitution Date to (but excluding) the Substitution Date.

Purchases

Subject to our Articles of Association, the provisions of the Companies Act and U.S. securities laws and all other laws and regulations applying to the Company and the rights conferred on any other class of our shares described under “—Restrictions on Dividends and Redemption” above, we may at any time, and from time to time, subject to the payment in full of the dividend on the Preference Shares on the immediately preceding Dividend Payment Date, purchase, or cause to be purchased for our account, all or any of the Preference Shares in the open market or by tender at any price and upon such terms and conditions as the board of directors or a duly authorized committee thereof may determine. We will not be required to select the shares to be purchased rateably or in any other particular manner as between the holders of Preference Shares or as between them and the holders of shares of any other class (whether or not the Preference Shares rank senior to such other class). Before we purchase any Preference Shares, and for so long as we are required to do so, we will obtain confirmation from the FSA that it has no objection to the purchase.

Preference shares that we purchase in the open market will be cancelled.

Voting Rights

Subject to the provisions below, as a holder of the Preference Shares or ADSs, you will not be entitled to receive notice of, attend or vote at any general meeting of our ordinary shareholders.

If any resolution is proposed for adoption by our shareholders which would vary or abrogate any of the rights or restrictions attaching to the Preference Shares, the holders of the outstanding Preference Shares will be entitled to receive notice of and to attend the general meeting of our shareholders at which the resolution is to be proposed and will be entitled to speak and vote on that resolution, but not on any other resolution. See “—Variation of Rights” below.

If any resolution is proposed for adoption by our shareholders proposing that we be wound up, liquidated or dissolved, the holders of the outstanding Preference Shares will be entitled to receive notice of and to attend the general meeting of our shareholders at which the resolution is to be proposed and will be entitled to speak and vote on that resolution, but not on any other resolution.

In addition, if we have failed to declare and pay in full the dividend payable on the Preference Shares for the Dividend Payment Date immediately preceding the date of notice of any general meeting of our shareholders, the holders of the Preference Shares shall be entitled to receive notice of, attend, speak and vote at that meeting on all matters. In these circumstances only, the rights of the holders of Preference Shares to speak and vote will continue until we have resumed the payment in full of dividends on the Preference Shares.

Whenever holders of Preference Shares are entitled to vote at a general meeting of shareholders, on a show of hands, each holder of Preference Shares who is entitled to vote or any proxy (other than the chairman of the meeting in his or her capacity as proxy) or a corporate representative for that holder, in each case who is present in person, will have one vote. On a poll, each holder of Preference Shares who is entitled to vote and who is present in person, by proxy or by corporate representative, will have one vote for each \$0.25 of nominal value of Preference Shares of which he or she is the holder.

The bearer of a share warrant in respect of Preference Shares shall not be entitled to attend or vote, personally or by proxy, unless the share warrant has been deposited with the Company and the Company has delivered a certificate in exchange. Subject as described above, the certificate shall entitle such person, either personally or by proxy, to attend and vote at any shareholder’s meeting at which the

holder is entitled to attend and vote held within three months of the date of the certificate and prior to the return of the certificate to the Company, in the same way as if the holder were the registered holder of Preference Shares specified in the certificate.

Other provisions in our Articles of Association relating to voting rights and procedures also apply to the Preference Shares.

In addition, the holders of Preference Shares may have the right to vote separately as a class in certain circumstances, as described below under the heading “—Variation of Rights”.

Variation of Rights

If applicable law permits, the rights, preferences and privileges attached to the Preference Shares may be varied or abrogated only with the written consent of the holders of at least 75% in nominal value of the outstanding Preference Shares or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the outstanding Preference Shares. An extraordinary resolution will be adopted if passed by a majority of at least 75% of those holders voting in person or by proxy at the meeting. The quorum required for any such class meeting will be two persons holding or representing by proxy at least one-third in nominal amount of the outstanding Preference Shares, except that if at any adjourned meeting this quorum requirement is not met, any holder present in person or by proxy will constitute a quorum.

The written consent of the holders of 75% in nominal value of the outstanding Preference Shares or the sanction of an extraordinary resolution passed at a separate class meeting of holders of the outstanding Preference Shares will be required if our board of directors proposes to authorize, create or increase the amount of any shares of any class or any security convertible into shares of any class ranking as regards rights to participate in our profits or assets, in priority to the Preference Shares.

If we have paid the most recent dividend payable on the Preference Shares in full, the rights attached to the Preference Shares will not be deemed to be varied by the creation or issue of any further series of non-cumulative preference shares or of any other further shares ranking equally as regards participation in our profits or assets with, or junior to, the Preference Shares, whether carrying identical rights or different rights in any respect, including as to dividend, premium on a return of capital, redemption or conversion and whether denominated in U.S. dollars or any other currency.

Notices of Meetings

A notice of any meeting at which holders of the Preference Shares are entitled to vote will be mailed to each record holder of the Preference Shares. Each notice will state:

- the place, date and time of the meeting;
- the general nature of the business to be transacted;
- a description of any resolution to be proposed for adoption at the meeting on which those holders are entitled to vote; and
- that each holder entitled to attend and vote is entitled to appoint one or more proxies to attend, and, on a poll, vote instead of such holder and that a proxy need not be a holder.

A holder of the Preference Shares in registered form who is not registered with an address in the United Kingdom and who has not supplied an address within the United Kingdom to us for the purpose of notices is not entitled to receive notices of meetings from us. In addition, notices to holders of Preference Shares, including notices for general meetings of the Preference Shares, will be published in accordance with the operating procedures for the time being of DTC. All such notices shall be deemed to have been

given on the date of first publication, or where required to be published in more than one newspaper, on the date of first publication.

For a description of notices that we will give to the Depositary and that the Depositary will give to ADR holders, you should read “Description of American Depositary Shares—Reports and Notices” in this Offering Memorandum.

Further Issues

Subject to the provisions set out in “Variation of Rights” above, we may, at any time and from time to time, and without any consent or sanction of the holders of the Preference Shares, create or issue further preference shares or other share capital ranking equal or junior to the Preference Shares. Our creation or issuance of further preference shares or other share capital ranking equally with the Preference Shares will not be deemed to alter, vary, affect, modify or abrogate any of the rights attaching to the Preference Shares. These rights will not be deemed to be varied by any change to the provisions in our Articles of Association, other than a change which would result in any further preference shares or other share capital ranking senior to the Preference Shares. Any further series of preference shares or other share capital ranking equally with or junior to the Preference Shares may either carry identical rights in all respects with the Preference Shares (except as regards the date from which such shares rank for dividend) or carry different rights.

The period of the resale restrictions applicable to any Preference Shares previously offered and sold in reliance on Rule 144A shall be automatically extended to the last day of the period of any resale restrictions imposed on any additional Preference Shares.

No Additional Amounts

If at any time we are required by a tax authority to deduct or withhold taxes from payments made by us with respect to the Preference Shares, we will not pay additional amounts. As a result, the net amount received from us by each holder of a Preference Share, after the deduction or withholding, will be less than the amount the holder would have received in the absence of the deduction or the withholding.

Registrar and Paying Agent

Our company secretarial department will maintain the register and we will act as registrar and paying agent for the Preference Shares.

We reserve the right at any time to appoint an additional or successor registrar or paying agent. Notice of any change of registrar or paying agent will be given to holders of the Preference Shares.

Governing Law

The creation and issuance of the Preference Shares and the rights attached to them will be governed by and construed in accordance with the laws of Scotland.

DESCRIPTION OF AMERICAN DEPOSITARY SHARES

The following description of the ADSs, the ADRs and the Deposit Agreements (as defined herein) does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Deposit Agreements. Terms used herein but not otherwise defined shall have the meanings set forth in the Deposit Agreements. The description is copied in its entirety, without amendment, from the Original Offering Memorandum dated 6 November 2006, and therefore references in the sections “Description of American Depositary Shares” shall refer to the text of the Original Offering Memorandum.

The following is a summary of certain provisions of the Rule 144A Deposit Agreement (the “Rule 144A Deposit Agreement”) to be dated as of November 13, 2006, among the Company, the Depositary and the registered holders (“Rule 144A Holders”) and beneficial owners (“Rule 144A Beneficial Owners”) from time to time of Rule 144A ADRs, pursuant to which the Rule 144A ADRs are to be issued and the Regulation S Deposit Agreement (the “Regulation S Deposit Agreement” and, together with the Rule 144A Deposit Agreement, the “Deposit Agreements”) to be dated as of November 13, 2006, among the Company, the Depositary and the registered holders (“Regulation S Holders” and, together with the Rule 144A Holders, the “Holders”) and beneficial owners (“Regulation S Beneficial Owners” and, together with the Rule 144A Beneficial Owners, the “Beneficial Owners”) from time to time of Regulation S ADRs, pursuant to which the Regulation S ADRs are to be issued. This summary does not purport to be complete and is subject to and qualified in its entirety by reference to the Deposit Agreements, including the form of Rule 144A ADRs and Regulation S ADRs contained therein. Terms used in this description and not otherwise defined shall have the meanings set forth in the Deposit Agreements. Copies of the Deposit Agreements will be available for inspection at the Corporate Trust Office of the Depositary, currently located at 101 Barclay Street, New York, New York 10286, and at the principal London office of The Bank of New York, the custodian and agent of the Depositary under each of the Deposit Agreements (the “Custodian”). The Depositary’s principal executive office is located at One Wall Street, New York, New York 10286. Unless the context otherwise requires, references herein to ADRs and ADSs apply equally to the Rule 144A ADRs and the Regulation S ADRs and to the Rule 144A ADSs and the Regulation S ADSs, respectively. The Depositary was incorporated pursuant to a special act of the New York State legislature passed on April 19, 1871. The Depositary now operates as a banking corporation under the New York State Banking Law.

American Depositary Receipts

Rule 144A ADRs evidencing Rule 144A ADSs are issuable pursuant to the Rule 144A Deposit Agreement. Regulation S ADRs evidencing Regulation S ADSs are issuable pursuant to the Regulation S Deposit Agreement. Each Rule 144A ADR will evidence a specified number of Rule 144A ADSs, each Rule 144A ADS representing one Preference Share, or evidence of the right to receive one Preference Share, deposited with the Custodian and registered in the name of the Depositary or its nominee (such Preference Shares, together with any additional Preference Shares at any time deposited or deemed deposited under the Rule 144A Deposit Agreement and any other securities, cash or other property received by the Depositary or the Custodian in respect of such Preference Shares, the “Rule 144A Deposited Securities”). Each Regulation S ADR will evidence a specified number of Regulation S ADSs, each Regulation S ADS representing one Preference Share, or evidence of the right to receive one Preference Share, deposited with the Custodian and registered in the name of the Depositary or its nominee (such Preference Shares, together with any additional Preference Shares at any time deposited or deemed deposited under the Regulation S Deposit Agreement and any other securities, cash or other property received by the Depositary or the Custodian in respect of such Preference Shares, the “Regulation S Deposited Securities” and, together with the Rule 144A Deposited Securities, the “Deposited Securities”). Only persons in whose names Rule 144A ADRs or Regulation S ADRs, as the case may be, are registered on the books of the Depositary as owners of Rule 144A ADSs or Regulation

S ADSs, as the case may be, will be treated by the Depository and the Company as Rule 144A Holders or Regulation S Holders, respectively.

The rights of Holders of ADRs under the Deposit Agreements described in this section belong to the registered holders of ADRs. As described below, all the ADSs will be registered in the name of Cede & Co, a nominee of The Depository Trust Company, also referred to as DTC. All persons other than Cede & Co. that hold interests in ADSs will hold security entitlements in ADSs directly or indirectly through securities intermediaries that are participants in DTC. Investors will not be entitled to have ADSs registered in their name or receive an ADR except under special circumstances that are set out in the applicable Deposit Agreement. Therefore, investors must rely on the procedures of DTC and any other securities intermediary through which they hold interests in ADSs to assert the rights of Holders of ADRs. Investors should consult with that securities intermediary to find out what those procedures are.

The Company will not treat Holders of ADRs as its shareholders and Holders of ADRs will not have shareholder rights. Scottish law governs shareholder rights. The Depository will be the holder of the Preference Shares represented by each investor's ADSs. As a Holder of ADRs, each investor will have ADR Holder rights as set forth in the applicable Deposit Agreement. Each Deposit Agreement also sets forth the rights and obligations of the Company and of the Depository. New York law governs the Deposit Agreements and the ADRs.

In this section: (a) the terms "deliver" and "delivery," when used with respect to Preference Shares or other Deposited Securities shall refer, as permitted by applicable law, to either (i) one or more book-entry transfers of such securities to an account or accounts designated by the transferee maintained with institutions authorized under applicable law to effect book-entry transfers of such securities or (ii) physical delivery of certificates evidencing such securities, duly registered in the name of the transferee or duly endorsed for transfer or accompanied by any proper instrument of transfer duly executed, in form satisfactory to the Custodian; (b) the terms "deliver" and "delivery," when used with respect to ADRs, shall refer to (i) one or more book-entry transfers of ADSs to an account or accounts at DTC designated by the person entitled to such delivery or (ii) if book-entry settlement is no longer available for the ADSs under the circumstances provided in the Deposit Agreements, to execution and delivery at the Corporate Trust Office of the Depository to or to the order of such person of one or more ADRs evidencing, in the aggregate, such ADSs, registered in the name or names requested by such person; and (c) the term "surrender," when used with respect to ADRs, shall refer to (i) a book-entry transfer or transfers of ADSs to the DTC account of the Depository or (ii) surrender to the Depository at its Corporate Trust Office of one or more ADRs evidencing such ADSs, duly endorsed in blank or accompanied by proper instruments of transfer duly executed in blank.

Settlement—Rule 144A ADSs

The Company and the Depository will make application to DTC for acceptance of the Rule 144A ADSs in DTC's book-entry settlement system. If the application is accepted, a single global Rule 144A ADR (a "Master Rule 144A ADR") will be issued to DTC and registered in the name of Cede & Co., as nominee of DTC, and may be held by the Depository, as custodian for DTC. Thereafter, Cede & Co. will be the holder of record of all Rule 144A ADSs evidenced by the Master Rule 144A ADR. Accordingly, each person owning a beneficial interest in the Master Rule 144A ADR must rely upon the procedures of the institutions having accounts with DTC to exercise or be entitled to any rights of a Rule 144A Owner. So long as any Rule 144A ADRs are held through DTC's book-entry settlement system, or unless otherwise required by law, ownership of beneficial interests in the Master Rule 144A ADR will be shown on, and the transfer of that ownership will be effected only through, records maintained by (i) DTC or its nominee (with respect to participants' interests) or (ii) institutions that have accounts with DTC. Where the context requires, the term "Rule 144A ADR" includes the Master Rule 144A ADR.

If such application is not accepted, or if DTC ceases to make its book-entry settlement system available for the Rule 144A ADSs, the Company will consult with the Depositary regarding other arrangements for book-entry settlement. In the event that it is impracticable without undue effort or expense to continue to have the Rule 144A ADSs available in book-entry form, the Company will instruct the Depositary to make separate Rule 144A ADRs available to all Rule 144A Beneficial Owners, with such modification to the form of Rule 144A ADRs and the Rule 144A Deposit Agreement as the Company and the Depositary may agree, subject to the terms of the Rule 144A Deposit Agreement.

Each Rule 144A ADR will be endorsed with a legend regarding certain restrictions on transfer in substantially the form set forth under “Notice to Investors.”

Solely for purposes of trading and settlement through the DTC system, Rule 144A ADSs will be deemed to have a principal amount of \$1,000 per ADS.

Settlement—Regulation S ADSs

The Company and the Depositary will make application to each of DTC, Euroclear and Clearstream, Luxembourg for acceptance of the Regulation S ADSs in their respective book-entry settlement systems. If the applications are accepted, a single global Regulation S ADR (a “Master Regulation S ADR”) will be issued to DTC and registered in the name of Cede & Co., as nominee of DTC, and may be held by the Depositary, as custodian for DTC. Thereafter, Cede & Co. will be the holder of record of all Regulation S ADSs evidenced by the Master Regulation S ADR. Accordingly, each person owning a beneficial interest in the Master Regulation S ADR must rely upon the procedures of the institutions having accounts with DTC to exercise or be entitled to any rights of a Regulation S Holder. Initial settlement of the Regulation S ADSs will take place through Euroclear and Clearstream, Luxembourg in accordance with customary settlement procedures in the Euromarket. Transfers of Regulation S ADSs within DTC, Euroclear and Clearstream, Luxembourg will be permitted in accordance with the usual rules and operating procedures of the relevant system. Cross-market transfers will be effected in DTC through the respective depositaries of Euroclear and Clearstream, Luxembourg. Because of time zone differences, credits of securities received in Euroclear or Clearstream, Luxembourg as a result of a transaction with a DTC participant will be made during the subsequent securities settlement processing date on the Business Day following the DTC settlement date and such credits or any transactions in such securities settled during such processing will be reported to the relevant Clearstream, Luxembourg or Euroclear participant on such Business Day. Cash received in Clearstream, Luxembourg or Euroclear as a result of sales of securities by or through a Clearstream, Luxembourg participant or a Euroclear participant to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Clearstream, Luxembourg or Euroclear cash account only as of the Business Day following settlement in DTC.

If such applications are not accepted or if DTC or, during the Restricted Period, Euroclear or Clearstream, Luxembourg ceases to make its respective book-entry settlement system available for the Regulation S ADSs, the Company will consult with the Depositary regarding other arrangements for book-entry settlement. Only in the event that it is impracticable without undue effort or expense to continue to have the Regulation S ADSs available in book-entry form will the Company instruct the Depositary to make separate Regulation S ADRs available to all Regulation S Beneficial Owners, with such modification to the form of Regulation S ADRs and the Regulation S Deposit Agreement as the Company and the Depositary may agree, subject to the terms of the Regulation S Deposit Agreement.

All Regulation S ADRs will be endorsed with a legend regarding certain restrictions on transfer in substantially the form set forth under “Notice to Investors.”

Solely for purposes of trading and settlement through the systems of DTC, Euroclear and Clearstream, Luxembourg, Regulation S ADSs will be deemed to have a principal amount of \$1,000 per ADS.

Deposit and Withdrawal—Rule 144A ADSs

The Depositary has agreed, subject to the terms and conditions of the Rule 144A Deposit Agreement, that upon delivery, to the Custodian of Preference Shares (or evidence of rights to receive Preference Shares) in a form satisfactory to the Custodian, the Depositary will, upon payment of the fees, charges and taxes provided in the Rule 144A Deposit Agreement, deliver to, or upon the written order of, the person or persons named in the notice of the Custodian delivered to the Depositary or requested by the person depositing such Shares with the Depositary, the number of ADSs issuable in respect of such deposit.

Any deposit of Preference Shares for Rule 144A ADSs must be accompanied by a written certification (“Depositor’s Certificate”) by or on behalf of the person who will be the beneficial owner of the Rule 144A ADSs to be issued upon deposit of such Preference Shares, to the effect that it (a) is a qualified institutional buyer (as defined in Rule 144A under the Securities Act) (a “QIB”), acquiring such beneficial ownership for its own account or for the account of one or more QIBs, and (b) will comply with the restrictions set forth under “Notice to Investors” on transfers of the Rule 144A ADSs and the Preference Shares represented thereby. The Depositary may refuse to accept Preference Shares for deposit if it believes that ADSs representing those Preference Shares would not be eligible for resale in reliance on Rule 144A under the Securities Act.

Upon surrender at the Corporate Trust Office of the Depositary of Rule 144A ADRs for the purpose of withdrawal of the Deposited Securities represented thereby, and upon payment of the fees, governmental charges and taxes provided in the Rule 144A Deposit Agreement, and subject to the terms and conditions of the Rule 144A Deposit Agreement, the Articles of Association of the Company and the Rule 144A Deposited Securities, the Rule 144A Holder of such Rule 144A ADRs will be entitled to delivery, to him or upon his order, as permitted by applicable law, of the amount of Rule 144A Deposited Securities at the time represented by such Rule 144A ADRs. The forwarding of share certificates, other securities, property, cash and other documents of title for such delivery will be at the risk and expense of the Rule 144A Holder.

Notwithstanding the foregoing, no Rule 144A Deposited Securities may be withdrawn in the manner described in the preceding paragraph unless, at or prior to the time of surrender, the Depositary has received a written certificate and agreement by or on behalf of the person surrendering such Rule 144A ADSs who after withdrawal will be the beneficial owner of the Rule 144A Deposited Securities withdrawn, acknowledging that such Rule 144A Deposited Securities have not been registered under the Securities Act, certifying as to whether or not such Rule 144A Deposited Securities will remain restricted upon withdrawal and, in the case of Rule 144A Deposited Securities that will remain restricted, agreeing (a) not to offer, sell, pledge or otherwise transfer such Deposited Securities except in a transaction that complies with the restrictions on transfer set forth under “Notice to Investors” and (b) not to deposit or cause to be deposited such Rule 144A Deposited Securities into any unrestricted depositary receipt facility established or maintained by a depositary bank (including another facility maintained by the Depositary) relating to such Rule 144A Deposited Securities unless such Rule 144A Deposited Securities are no longer deemed to be restricted securities within the meaning of Rule 144(a)(3) under the Securities Act.

The Depositary will not accept Rule 144A ADSs or Preference Shares the Depositary believes were withdrawn from the Rule 144A Deposit Agreement for the purpose of deposit under the Regulation S Deposit Agreement, or deliver Regulation S ADRs against deposit thereof, as long as such Rule 144A

ADSs or Preference Shares are or may be restricted securities within the meaning of Rule 144(a)(3) under the Securities Act.

Deposit and Withdrawal—Regulation S ADSs

The Depositary has agreed, subject to the terms and conditions of the Regulation S Deposit Agreement, that upon delivery to the Custodian of Preference Shares (or evidence of rights to receive Preference Shares) in a form satisfactory to the Custodian, the Depositary will, upon payment of the fees, charges and taxes provided in the Regulation S Deposit Agreement, deliver to, or upon the written order of, the person or persons named in the notice of the Custodian delivered to the Depositary or requested by the person depositing such Shares with the Depositary, the number of Regulation S ADSs issuable in respect of such deposit.

Any deposit of Preference Shares for Regulation S ADSs must be accompanied by (a) a written acknowledgment and certification by or on behalf of the person who will be the beneficial owner of the Regulation S ADSs to be issued upon deposit of such Preference Shares that (i) the Regulation S ADSs, and the Preference Shares represented thereby have not been registered under the Securities Act, (ii) it is not a U.S. person (within the meaning of Regulation S) and is located outside the United States (within the meaning of Regulation S) and acquired, or has agreed to acquire and will acquire, the Preference Shares to be deposited outside the United States, (iii) it is not an affiliate of the Company or a person acting on behalf of such an affiliate and (iv) it is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Preference Shares to be deposited from the Company or any affiliate thereof in this offering and (b) an agreement that, during the Restricted Period, (i) it will comply with the restrictions on transfer set forth under “Notice to Investors” on transfers of the Regulation S ADSs and the Deposited Securities represented thereby and (ii) if it sells or otherwise transfers the Regulation S ADSs or the Deposited Securities represented thereby during the Restricted Period to a person it reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A it will cause such Preference Shares to be withdrawn in accordance with the terms and conditions of the Regulation S Deposit Agreement and deposited under the Rule 144A Deposit Agreement for issuance of Rule 144A ADSs in accordance with the terms and conditions of the Rule 144A Deposit Agreement.

The Depositary will not accept Rule 144A ADSs or Preference Shares the Depositary believes were withdrawn from the Rule 144A Deposit Agreement for the purpose of deposit under the Regulation S Deposit Agreement, or deliver Regulation S ADRs against deposit thereof, as long as such Rule 144A ADSs or Preference Shares are or may be restricted securities within the meaning of Rule 144(a)(3) under the Securities Act.

Upon surrender at the Corporate Trust Office of the Depositary of Regulation S ADRs for the purpose of withdrawal of the Regulation S Deposited Securities represented thereby, and upon payment of the fees, governmental charges and taxes provided in the Regulation S Deposit Agreement, and subject to the terms and conditions of the Regulation S Deposit Agreement, the Articles of Association of the Company and the Regulation S Deposited Securities, the Regulation S Holder of such Regulation S ADRs will be entitled to delivery, to him or upon his order, as permitted by applicable law, of the amount of Regulation S Deposited Securities at the time represented by such Regulation S ADRs. The forwarding of share certificates, other securities, property, cash and other documents of title for such delivery will be at the risk and expense of the Regulation S Holder.

Notwithstanding the foregoing, during the Restricted Period, no Regulation S Deposited Securities may be withdrawn in the manner described in the preceding paragraph unless at or prior to the time of surrender, the Depositary has received a written certificate and agreement by or on behalf of the person surrendering such Regulation S ADSs who after withdrawal will be the beneficial owner of the Regulation S Deposited Securities withdrawn, (a) acknowledging that such Regulation S Deposited Securities have not been registered and will not be registered under the Securities Act, (b) certifying as to whether or not

such Regulation S Deposited Securities will remain restricted upon withdrawal and, in the case of Regulation S Deposited Securities that will remain restricted, agreeing (i) during the Restricted Period, not to offer, sell, pledge or otherwise transfer such Regulation S Deposited Securities except in a transaction that complies with the restrictions on transfer set forth below under “Notice to Investors” and (ii) during the Restricted Period, if such Preference Shares are being transferred to a QIB, that it will cause such Preference Shares to be deposited under the Rule 144A Deposit Agreement for issuance of Rule 144A ADSs in accordance with the terms and conditions of Rule 144A Deposit Agreement.

The following description applies equally to the Rule 144A Deposit Agreement and the Regulation S Deposit Agreement, except as specifically indicated.

Dividends and Other Distributions

The Depositary will distribute all cash dividends or other cash distributions that it receives in respect of deposited Preference Shares to the Holders of the ADRs, after payment of any charges and fees provided for in the Deposit Agreements in proportion to their holdings of ADSs. The cash amount distributed will be reduced by any amounts that the Depositary must withhold on account of taxes.

If the Company makes a non-cash distribution in respect of any deposited Preference Shares, the Depositary will distribute the property it receives to Holders of the ADRs, after deduction or upon payment of any taxes, charges and fees provided for in the Deposit Agreements, in proportion to their holdings of ADSs. If a distribution that the Company makes in respect of deposited Preference Shares consists of a dividend in, or free distribution of, Preference Shares, the Depositary may, and will, if the Company requests, distribute to Holders of the ADRs, in proportion to their holdings of ADSs, additional ADSs representing the amount of Preference Shares received as such dividend or free distribution. If the Depositary does not distribute additional ADSs, each ADS will from then forward also represent its proportional share of the additional Preference Shares distributed in respect of the deposited Preference Shares before the dividend or free distribution.

If the Depositary determines that any distribution of property, other than cash or Preference Shares, cannot be made proportionately among ADR Holders or if for any other reason, including any requirement that the Company or the Depositary withhold an amount on account of taxes or other governmental charges, the Depositary deems that such a distribution is not feasible, the Depositary may dispose of all or part of the property in any manner, including by public or private sale, that it deems equitable and practicable. The Depositary will then distribute the net proceeds of any such sale (net of any fees and expenses of the Depositary provided for in the Deposit Agreements) to ADR Holders as in the case of a distribution received in cash.

Redemption

If the Depositary receives notice of redemption of Deposited Securities, it will surrender those Deposited Securities on the redemption date and call for surrender of a corresponding number of ADSs. Upon surrender of the ADSs called for surrender, the Depositary will deliver the proceeds of the redeemed Deposited Securities as described above under “—Deposit and Withdrawal—Rule 144A ADSs” or “—Deposit and Withdrawal—Regulation S ADSs,” as applicable.

Record Date

Whenever any cash dividend or other cash distribution becomes payable or any distribution other than cash shall be made, or whenever rights shall be issued with respect to the deposited Preference Shares, or whenever the Depositary causes a change in the number of Preference Shares represented by each ADS or receives notice of any meeting of holders of Preference Shares, the Depositary will fix a record date for the determination of the ADR Holders who are entitled to receive the dividend distribution,

distribution of rights or the net proceeds of the sale of Preference Shares as the case may be, or to give instructions for the exercise of voting rights at the meeting, subject to the provisions of the Deposit Agreements.

Voting of the Underlying Deposited Securities

When the Depositary receives notice of any meeting or solicitation of consents or proxies of holders of Preference Shares, it will, if the Company requests, as soon as practicable thereafter, mail to the record holders of ADRs a notice including:

- the information contained in the notice of meeting;
- a statement that the record holders of ADRs at the close of business on a specified record date will be entitled, subject to any applicable provision of Scottish law and the articles of association or any similar document of the Company, to instruct the Depositary as to the exercise of any voting rights pertaining to the Preference Shares represented by their ADSs; and
- a brief explanation of how they may give instructions, including an express indication that they may be deemed to have instructed the Depositary to give a discretionary proxy to designated member or members of the Company's board of directors if no such instruction is received.

The Depositary has agreed that it will endeavour, in so far as practical, to vote or cause to be voted the Preference Shares in accordance with any written non-discretionary instructions of record holders of ADRs that it receives on or before the date set by the Depositary for that purpose. However, Holders of ADRs may not receive notice or otherwise learn of a meeting of holders of Preference Shares in time to instruct the Depositary prior to a cut off date the Depositary will set. The Depositary will not vote the Preference Shares except in accordance with such instructions or deemed instructions.

If the Depositary does not receive instructions from an ADR Holder on or before the date the Depositary establishes for this purpose, the Depositary may deem such Holder to have directed the Depositary to give a discretionary proxy to a designated member or members of the Company's board of directors. However, the Depositary will not give a discretionary proxy to a designated member or the Directors with respect to any matter as to which the Company informs the Depositary that:

- the Company does not wish the proxy to be given;
- substantial opposition exists; or
- the rights of holders of the Preference Shares may be materially affected.

Holders of ADRs will not be entitled to vote Preference Shares directly.

Inspection of Transfer Books

The Depositary agent will, at its office in New York City, keep books for the registration and transfer of ADSs. These books will be open for inspection by ADR Holders at all reasonable times. However, this inspection may not be for the purpose of communicating with ADR Holders in the interest of a business or object other than the Company's business or a matter related to the Deposit Agreements or the ADRs.

Reports and Notices

The Company will furnish the Depositary with its annual and interim reports as described under “Documents Incorporated by Reference” above. The Depositary will make available at its office in New York City, for any ADR Holder to inspect, any reports and communications received from the Company that are both received by the Depositary as holder of the Preference Shares and made generally available by the Company to the holders of those Preference Shares, including the Company’s annual report and accounts and interim report and accounts. Upon written request of the Company, the Depositary will mail copies of those reports to ADR Holders as provided in the Deposit Agreements.

On or before the first date on which the Company gives notice, by publication or otherwise, of:

- any meeting of holders of the Preference Shares;
- any adjourned meeting of holders of the Preference Shares; or
- the taking of any action in respect of any cash or other distributions or the offering of any rights in respect of the Preference Shares,

the Company has agreed to transmit to the Depositary and the custodian a copy of the notice in the form given or to be given to holders of the Preference Shares. If requested in writing by the Company, the Depositary will, at the Company’s expense, arrange for the prompt transmittal or mailing of such notices, and any other reports or communications made generally available to holders of the Preference Shares, to all Holders of ADRs.

Amendment and Termination of the Deposit Agreements

The form of the ADRs and any provisions of the Deposit Agreements may at any time and from time to time be amended by agreement between the Company and the Depositary, without the consent of Holders of ADRs, in any respect which the Company and the Depositary may deem necessary or advisable. Any amendment that imposes or increases any fees or charges, other than taxes and other governmental charges, registration fees, transmission costs, delivery costs or other such expenses, or that otherwise prejudices any substantial existing right of Holders of outstanding ADRs, will not take effect as to outstanding ADRs until thirty (30) days after notice of the amendment has been given to the record holders of those ADRs. Every Holder of any ADR at the time an amendment becomes effective will be deemed by continuing to hold the ADR to consent and agree to the amendment and to be bound by the Deposit Agreements or the ADR as amended. No amendment may impair the right of any Holder of ADRs to surrender ADSs and receive in return the Preference Shares represented by those ADSs.

Whenever the Company directs, the Depositary has agreed to terminate the Deposit Agreements by mailing a termination notice to the record holders of all ADRs then outstanding at least thirty (30) days before the date fixed in the notice of termination. The Depositary may likewise terminate the Deposit Agreements by mailing a termination notice to the Company and the record holders of all ADRs then outstanding if at any time sixty (60) days shall have expired since the Depositary delivered a written notice to the Company of its election to resign and a successor depositary shall not have been appointed and accepted its appointment.

If any ADRs evidencing ADSs remain outstanding after the date of any termination, the Depositary will then:

- discontinue the registration of transfers of ADRs;
- suspend the distribution of dividends to Holders of ADRs; and
- not give any further notices or perform any further acts under the Deposit Agreements, except those listed below, with respect to those ADRs.

The Depositary will, however, continue to collect dividends and other distributions pertaining to the Preference Shares. It will also continue to sell rights and other property as provided in the Deposit Agreements and deliver Preference Shares, together with any dividends or other distributions received with respect to them and the net proceeds of the sale of any rights or other property, in exchange for ADSs surrendered to it.

At any time after the expiration of one year from the date of termination of the Deposit Agreements, the Depositary may sell the Preference Shares then held. The Depositary will then hold uninvested the net proceeds of any such sales, together with any other cash then held by it under the Deposit Agreements, unsegregated and without liability for interest, for the pro rata benefit of the Holders of ADRs that have not previously been surrendered.

Charges of the Depositary

The following charges shall be incurred by any party depositing or withdrawing Preference Shares, or by any party surrendering ADRs or to whom ADRs are issued:

- any applicable taxes or other governmental charges;
- any applicable share transfer or other registration fees on deposits or withdrawals of Preference Shares;
- cable, telex, facsimile transmission and delivery charges which the Deposit Agreements provide are at the expense of the Holders of ADRs or persons depositing or withdrawing Preference Shares;
- expenses incurred or paid by the Depositary in any conversion of foreign currency into dollars;
- a fee for the distribution to ADR Holders of any securities in an amount equal to the fee for the delivery of ADRs referred to above which would have been charged if the securities distributed to ADR Holders had been Preference Shares which were deposited with the custodian; and
- any charges incurred by the Depositary or its agents for the servicing of Preference Shares.

Under the Deposit Agreements, the Depositary may charge an annual fee of U.S.\$0.02 or less per ADS for depositary services.

The Holders of ADRs will be responsible for any taxes or other governmental charges payable on their ADRs or on the Preference Shares. The Depositary may refuse to transfer ADRs or allow withdrawal of the Preference Shares until such taxes or other charges are paid. The Depositary may apply payments owed to Holders of ADRs or sell deposited Preference Shares underlying such ADRs to pay any taxes owed and Holders of ADRs will remain liable for any deficiency. If the Depositary sells deposited Preference Shares, it will, if appropriate, reduce the number of ADRs to reflect the sale and pay to Holders of ADRs any proceeds, or send to Holders of ADRs any property, remaining after it has paid the taxes.

General

Neither the Depositary nor the Company will be liable to ADR Holders if prevented or forbidden or delayed by any present or future law of any country or by any governmental or regulatory authority or stock exchange, any present or future provision of the Articles, any provision of any securities issued or distributed by the Company, or any act of God or war or terrorism or other circumstances beyond its control in performing its obligations under the Deposit Agreements. The obligations of each of the

Company and the Depositary under the Deposit Agreements are expressly limited to performing its specified duties without negligence or bad faith.

The ADRs are transferable on the books of the Depositary or its agent. However, the Depositary may close the transfer books as to ADRs at any time when it deems it expedient to do so in connection with the performance of its duties or at the Company's request. As a condition precedent to the execution and delivery, registration of transfer, split-up, combination or surrender of any ADR or withdrawal of any Preference Shares, the Depositary or the Custodian may require the person presenting the ADR or depositing the Preference Shares to pay a sum sufficient to reimburse it for any related tax or other governmental charge and any share transfer or registration fee and any applicable fees payable as provided in the Deposit Agreements. The Depositary may withhold any dividends or other distributions, or may sell for the account of the holder any part or all of the Preference Shares represented by the ADSs, and may apply those dividends or other distributions or the proceeds of any sale in payment of the tax or other governmental charge. The ADR Holder will remain liable for any deficiency.

Any ADR Holder may be required from time to time to furnish the Depositary or the Custodian with proof satisfactory to the Depositary of citizenship or residence, exchange control approval, information relating to the registration on the Company's books or those that the registrar maintains for us for the Preference Shares in registered form, or other information, to execute certificates and to make representations and warranties that the Depositary deems necessary or proper. Until those requirements have been satisfied, the Depositary may withhold the delivery or registration of transfer of any ADR or the distribution or sale of any dividend or other distribution or proceeds of any sale or distribution or the delivery of any deposited Preference Shares or other property related to the ADR. The delivery or registration of transfer of ADRs may be suspended during any period when the transfer books of the Depositary are closed or if the Company or the Depositary deems it necessary or advisable.

INFORMATION ON THE LLOYDS BANKING GROUP

Information on the Group is set out in Part IX (“Information on the Group”) of the Rights Issue Prospectus and is incorporated by reference into this Prospectus.

TAXATION

The following is based on current United Kingdom law and published HM Revenue & Customs practice as at the date of this Prospectus, both of which are subject to change, possibly with retrospective effect. They are intended as a general guide and apply only to shareholders of the Company resident and in the case of an individual, ordinarily resident, for tax purposes in the United Kingdom (except insofar as express reference is made to the treatment of non-United Kingdom residents), who hold the Preference Shares in the Company, or ADSs, as an investment and who are the absolute beneficial owners thereof. Certain categories of shareholders, such as traders, broker-dealers, insurance companies and collective investment schemes, shareholders who are not domiciled or not ordinarily resident in the United Kingdom, shareholders who have (or are deemed to have) acquired their Preference Shares or ADSs by virtue of an office or employment, and shareholders who are or have been officers or employees of the Company or a company forming part of the Group, may be subject to special rules and this summary does not apply to such shareholders. Shareholders who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom, should consult their own professional advisers immediately.

United Kingdom Taxation

Taxation of dividends

The Company will not be required to withhold tax at source when paying a dividend on the Preference Shares.

A United Kingdom resident individual shareholder who receives a dividend on the Preference Shares from the Company will be entitled to a tax credit which may be set off against the shareholder's total income tax liability on the dividend. The tax credit will be equal to 10% of the aggregate of the dividend and the tax credit (the "**gross dividend**"), which is also equal to one-ninth of the cash dividend received. Such an individual shareholder who is liable to income tax at the basic rate will be subject to tax on the dividend at the rate of 10% of the gross dividend, so that the tax credit will satisfy in full such shareholder's liability to income tax on the dividend. In the case of such an individual shareholder who is liable to income tax at the higher rate, the tax credit will be set against but not fully match the shareholder's tax liability on the gross dividend and such shareholder will have to account for additional income tax equal to 22.5% of the gross dividend (which is also equal to 25% of the cash dividend received) to the extent that the gross dividend when treated as the top slice of the shareholder's income falls above the threshold for higher rate income tax. The Finance Act 2009 provides for, with effect from 6 April 2010, a new tax rate expected to be 50% for individuals with taxable income above £150,000. Dividends which would otherwise be taxable at the new 50% rate will, however, be liable to income tax at a new rate of 42.5%.

A United Kingdom resident individual shareholder who is not liable to income tax in respect of the gross dividend and other United Kingdom resident taxpayers who are not liable to United Kingdom tax on dividends, including pension funds and charities, will not be entitled to claim repayment of the tax credit attaching to dividends paid on the Preference Shares by the Company.

Shareholders who are within the charge to corporation tax will be subject to corporation tax on dividends paid on the Preference Shares by the Company, unless (subject to special rules for such shareholders that are small companies) the dividends fall within an exempt class and certain other conditions are met. It is expected that the dividends paid by the Company would generally be exempt for such shareholders. Such shareholders will not be able to claim repayment of tax credits attaching to dividends.

Non-United Kingdom resident shareholders will not generally be able to claim repayment from HM Revenue & Customs of any part of the tax credit attaching to dividends paid on the Preference Shares by the Company. A shareholder resident outside the United Kingdom may also be subject to foreign taxation on dividend income under local law. Shareholders who are not resident for tax purposes in the United Kingdom should obtain their own tax advice concerning tax liabilities on dividends received on the Preference Shares from the Company.

Stamp duty and SDRT

Agreements to transfer, and transfers of, the Preference Shares

Under current law a transfer of Preference Shares held through a clearance service will generally be exempt from stamp duty and SDRT, unless the clearance service has elected for an alternative system of charge pursuant to section 97A of the Finance Act 1986. Following the ECJ judgement in C-560/07 HSBC Holdings plc and Vidacos Nominees Ltd v Commissioners for Her Majesty's Revenue & Customs (the "**HSBC Holdings Case**"), HMRC have announced that they will determine whether and how to extend the SDRT rules to ensure movements of shares into and within a clearance service bear their fair share of tax, whilst ensuring the rules are compatible with EU Community law. The law in this area may therefore be particularly subject to change.

Registered Preference Shares

Bearer share warrants held outside a clearance service may be surrendered in exchange for Preference Shares in registered form.

Subject to certain exceptions, a transfer of Preference Shares in registered form would attract *ad valorem* UK stamp duty, and an unconditional agreement to transfer would attract SDRT (provided that SDRT would not be payable if UK stamp duty had been paid), generally at the rate of 0.5% (rounded up, if necessary, to the nearest £5) on the amount or value of the consideration of the transfer. Generally, *ad valorem* stamp duty applies neither to gifts nor on a transfer from a nominee to the beneficial owner, although in cases of transfers where no *ad valorem* stamp duty arises, a fixed UK stamp duty of £5 may be payable.

Under current law, UK stamp duty would, subject to certain exceptions, be payable at the rate of 1.5% (rounded up, if necessary to the nearest £5) of the value of the Preference Shares in registered form on any instrument pursuant to which Preference Shares are transferred (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depository receipts. UK SDRT, at the same rate, could also be payable in these circumstances but no SDRT would be payable if stamp duty were paid (although see the discussion above on the impact of the HSBC Holdings Case and potential legislative change).

GENERAL INFORMATION

Lloyds Banking Group

Lloyds Banking Group was incorporated and registered in Scotland on 21 October 1985 with registered number 95000 as a public company limited by shares under the name TSB Group Public Limited Company. On 28 December 1995, it changed its name to Lloyds TSB Group plc. On 16 January 2009, the Company changed its name to its present name. The principal legislation under which the Company operates is the Companies Act and regulations made thereunder. Lloyds Banking Group is domiciled in Scotland. Its head office is at 25 Gresham Street, London EC2V 7HN (Tel. +44 (0)20 7626 1500) and its registered office is at Henry Duncan House, 120 George Street, Edinburgh EH2 4LH.

Authorisation

The issue of the Preference Shares by the Company was duly authorised by resolutions of the Group Executive Committee of the Board of Directors of the Company passed on 24 October 2006.

Listing

It is expected that listing of both the Preference Shares and the ADSs on the Official List and admission of both the Preference Shares and the ADSs to trading on the Market will be granted on 9 November 2009.

The Preference Shares have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records) with Common Code 46000269 and International Securities Identification Number (ISIN) XS0460002693.

The Rule 144A ADSs (evidenced by the Master Rule 144A ADR) have been cleared through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records) with CUSIP No: 539439AA7, Common Code 027375120 and International Securities Identification Number (ISIN) US539439AA71.

The Regulation S ADSs (evidenced by the Master Regulation S ADR) have been cleared through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records) with CUSIP No: 539439AB5, Common Code 027375260 and International Securities Identification Number (ISIN) US539439AB54.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.

Documents Available

For the period of 12 months starting on the date on which this Prospectus is made available to the public, copies of the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the head office of the Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN and at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ:

- (a) the memorandum and articles of association of the Company;
- (b) the annual report and accounts of the Company for the three years ending 31 December 2006, 31 December 2007 and 31 December 2008;

- (c) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus; and
- (d) copies of documents incorporated by reference, as set out in the section “Documents Incorporated by Reference” in this Prospectus.

Significant or Material Change

There has been no significant change in the financial or trading position of the Group since 30 June 2009, the date to which the Group’s last published financial information was prepared.

Save as disclosed in Risk Factor 1.3 in the Rights Issue Prospectus (as incorporated by reference herein) relating to the European State Aid review of the aid given by HM Treasury to the Group, there has been no material adverse change in the prospects of the Group since 31 December 2008.

Litigation

Save as disclosed in the section entitled “Litigation Proceedings” on page 224 of the Rights Issue Prospectus, as incorporated by reference into this document, there are no governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which the Company is aware) during the 12 months preceding the date of this document, which may have or have had in the recent past, significant effects on the financial position or profitability of the Company and/or the Group.

Independent Auditors

The auditors of the Company are, and have been throughout the period covered by the financial information in this document, PricewaterhouseCoopers LLP.

DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

Acquisition	The acquisition by Lloyds Banking Group of Dover which was effected by way of a court approved scheme of arrangement.
Annual Report	The annual report and accounts of Lloyds Banking Group for the year ended 31 December 2008 published on 30 April 2009.
Board	The board of directors of Lloyds Banking Group at the date of this document.
Business Day	A day other than a Saturday or Sunday or a public holiday on which commercial banks and foreign exchange markets are open for business (including dealing in foreign exchange and foreign currency deposits) in London and the City of New York.
Clearing Systems	Euroclear and Clearstream, Luxembourg.
Clearstream, Luxembourg	Clearstream Banking, <i>société anonyme</i> .
Companies Act	the Companies Act 2006 (as amended) in so far as in force,
Company	Lloyds Banking Group plc.
Euroclear	Euroclear Bank S.A./N.V.
European Economic Area or EEA or EEA State	The European Union, Iceland, Norway and Liechtenstein.
Financial Services Authority or FSA	The Financial Services Authority of the United Kingdom.
Government or UK Government	The Government of the United Kingdom.
Government Asset Protection Scheme or GAPS	The asset protection scheme to be established by HM Treasury.
Group	Lloyds Banking Group and its subsidiary undertakings from time to time.
Interim Results News Release	The news release published by Lloyds Banking Group on 5 April 2009 containing the interim financial statements of Lloyds Banking Group for the six months ended 30 June 2009, together with the independent review report thereon.
Lloyds Banking Group	Lloyds Banking Group plc.
Lloyds TSB Bank	Lloyds TSB Bank plc.
London Stock Exchange	The London Stock Exchange plc.
Member States	Member states of the European Union and "Member States" means any one of them.
Rights Issue Prospectus	The prospectus dated 3 November 2009 relating to the Rights Issue by Lloyds Banking Group.

Rights Issue	The proposed issue by way of rights of new Ordinary Shares to ordinary shareholders of the Company, on the basis described in the Rights Issue Prospectus.
RNS	Regulatory News Service provided by London Stock Exchange plc (being a Regulated Information Service on the list of Regulatory Information Services maintained by the Financial Services Authority).
Securities Act	The United States Securities Act of 1933.
UK Listing Authority	The Financial Services Authority in its capacity as competent authority under the FSMA.
United Kingdom	United Kingdom of Great Britain and Northern Ireland.
United States or U.S.	United States of America.

For the purposes of this document, “subsidiary”, “subsidiary undertaking”, “undertaking” and “associated undertaking” have the meanings given by the Companies Act.

Unless otherwise stated, all times referred to in this document are references to London time.

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

REGISTERED OFFICE OF THE LLOYDS BANKING GROUP

Henry Duncan House
120 George Street
Edinburgh EH2 4LH
United Kingdom

AUDITORS OF THE COMPANY

PricewaterhouseCoopers LLP
Savannah House
3 Ocean Way
Ocean Village
Southampton SO14 3TJ
United Kingdom

LEGAL ADVISERS TO THE COMPANY

as to English law

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom