



## **LLOYDS BANK plc**

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

## **LLOYDS BANKING GROUP plc**

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

**£5,000,000,000**

### **Low Denomination Euro Medium Term Note Programme**

*Arranger*

**BofA Merrill Lynch**

*Co-arranger*

**Lloyds Bank**

*Dealers*

**ANZ**

**Barclays**

**CIBC**

**Commonwealth Bank of Australia**

**Deutsche Bank**

**DZ BANK AG**

**J.P. Morgan**

**Lloyds Bank**

**National Australia Bank Limited**

**TD Securities**

**Westpac Banking Corporation**

## IMPORTANT NOTICES

**AN INVESTMENT IN NOTES ISSUED UNDER THE PROGRAMME INVOLVES CERTAIN RISKS. YOU SHOULD HAVE REGARD TO THE FACTORS DESCRIBED IN THE SECTION HEADED “RISK FACTORS” OF THIS PROSPECTUS. YOU SHOULD ALSO READ CAREFULLY THE “IMPORTANT LEGAL INFORMATION” SECTION.**

### About this document

This document does not constitute an offer to subscribe for any Notes.

This document (the “**Prospectus**”) constitutes a prospectus prepared in accordance with the Prospectus Rules of the United Kingdom Financial Conduct Authority (the “**FCA**”) and relates to Lloyds Bank plc’s (the “**Bank**”) and Lloyds Banking Group plc’s (the “**Company**”) (each an “**Issuer**” and together, the “**Issuers**”) £5,000,000,000 Low Denomination Euro Medium Term Note Programme (the “**Programme**”), under which the Issuers may from time to time issue notes denominated in any currency agreed between it and the relevant Dealer(s) (the “**Notes**”). References in this Prospectus to the “**Issuer**” or the “**relevant Issuer**” when used in relation to a particular Tranche or Series (each as defined in “*Summary – Programme Summary*”) are to the Issuer of such Tranche or Series, as the case may be, of the Notes.

The nominal amount (being the amount which is used to calculate payments made on each Note) of all the Notes for the time being outstanding under the Programme will not exceed £5,000,000,000, subject to any increase that may be agreed between the Issuers and the permanent Dealers.

This Prospectus is valid for one year from 9 April 2015, and may be supplemented or replaced from time to time to reflect any significant new factor, material mistake or inaccuracy relating to the information for the time being included in it.

The specific terms of each series or tranche of Notes to be issued under the Programme will be specified in the relevant final terms issued by the relevant Issuer and published via a Regulatory Information Service (the “**Final Terms**”) at the relevant time. You should read and understand fully the contents of this Prospectus and the relevant Final Terms before making any investment decisions relating to any Notes.

### Responsibility for the information contained in this Prospectus

Each of the Bank and the Company accept responsibility for the information contained in this Prospectus and the Final Terms for each series of Notes issued. To the best of the knowledge of each of the Bank and the Company (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Where information has been sourced from a third party, this information has been accurately reproduced and, as far as each of the Bank and the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

### Use of defined terms in this Prospectus

Certain terms or phrases in this Prospectus are defined in double quotation marks and subsequent references to that term are designated with initial capital letters.

All references to “**Lloyds Bank Group**” are to the Bank and its subsidiary and associated undertakings. All references to the “**Group**”, “**Lloyds Banking Group**” or “**Lloyds**” are to the Company and its subsidiary and associated undertakings taken as a whole. All references to the “**Group members**” and/or a “**member of the**

**Group”** are to Lloyds Banking Group plc and/or any of its subsidiaries. See the section headed “*Lloyds Banking Group*” for further details.

**The Notes to be issued under the Programme are not guaranteed by the Company or by Lloyds Banking Group**

Notes to be issued under this Programme will not be guaranteed by the Company. Certain information in this Prospectus relates to Lloyds Banking Group but should not be read to mean that the obligations of the Bank under the Notes and the Trust Deed will be guaranteed by the Company or by Lloyds Banking Group. For further information see “*Documents Incorporated by Reference*”.

**Information incorporated by reference in this Prospectus**

This Prospectus must be read together with all information which is deemed to be incorporated in this Prospectus by reference. For further information see “*Documents Incorporated by Reference*”.

**The Notes to be issued under the Programme are not protected by the Financial Services Compensation Scheme**

The Notes to be issued under the Programme are not protected by the Financial Services Compensation Scheme (the “FSCS”). As a result, neither the FSCS nor anyone else will pay compensation to you upon the failure of the Bank, the Company or the Group as a whole. If the Bank, the Company or the Group go out of business or become insolvent, investors may lose all or part of their investment in the relevant Notes.

**Notes issued by the Company may not be offered in The Netherlands other than to qualified investors**

The Company does not have authorisation from the Dutch Central Bank (*De Nederlandsche Bank*) for the pursuit of the business of a bank in The Netherlands and the Company does not have a licence pursuant to section 2:11(1) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*). For further information see “*Selling Restrictions–The Netherlands*”.

**Questions relating to this Prospectus and the Notes to be issued under the Programme**

See the section starting on the following page entitled “*How do I use this Prospectus?*”. If you have any questions regarding the content of this Prospectus, any Final Terms and/or any Notes or the actions you should take, you should seek advice from your independent financial adviser, tax adviser or other professional adviser before making any investment decisions.

## HOW DO I USE THIS PROSPECTUS?

You should read and understand fully the contents of this Prospectus and the relevant Final Terms before making any investment decisions relating to any Notes. This Prospectus contains important information about the Bank, the Company, the Group and the terms of the Notes, as well as describing certain risks relevant to the Bank, the Company, the Group and their businesses and also other risks relating to an investment in the Notes generally. An overview of the various sections comprising this Prospectus is set out below:

The **“SUMMARY”** section sets out in tabular format standard information which is arranged under standard headings and which the Bank and the Company are required, for regulatory reasons, to include in a prospectus summary for a prospectus of this type. This section also provides the form of the “issue specific summary” information, which will be completed and attached to Final Terms relating to any Notes which are to be offered under the Programme.

The **“RISK FACTORS”** section describes the principal risks and uncertainties which may affect each of the Bank’s and the Company’s abilities to fulfil their obligations under the Notes and in relation to the key features of the Notes.

The **“FORWARD LOOKING STATEMENTS”** section contains important information regarding the use of statements which relate to the future financial condition and performance of the Bank, the Company and the Group.

The **“INFORMATION ABOUT THE PROGRAMME”** section provides a synopsis of the Programme in order to assist the reader.

The **“DOCUMENTS INCORPORATED BY REFERENCE”** section contains a description of the information that is deemed to be incorporated by reference into this Prospectus.

The **“TERMS AND CONDITIONS OF THE NOTES”** section sets out the terms and conditions which apply to any Notes that may be issued under the Programme. The relevant Final Terms relating to any offer of Notes will complete the terms and conditions of those Notes.

The **“SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM”** section is a summary of certain parts of those provisions of the Global Notes and Global Certificates which apply to the Notes while they are held in global form by the clearing systems, some of which include minor and/or technical modifications to the terms and conditions of the Notes as set out in this Prospectus.

The **“USE OF PROCEEDS”** section details the purpose for which the relevant Issuer will use proceeds from the issuance of Notes.

The **“CLEARING AND SETTLEMENT”** section briefly sets out certain information relating to the clearing systems and settlement of securities in Euroclear UK & Ireland Limited (formerly known as CRESTCo Limited (**“CREST”**)).

The **“LLOYDS BANK GROUP AND LLOYDS BANKING GROUP”** section describes certain information relating to the Bank and the Company, as well as the business that the Group conducts and its group structure.

The **“TAXATION”** section provides a brief outline of certain taxation implications regarding Notes that may be issued under the Programme.

The **“IMPORTANT LEGAL INFORMATION”** and **“INFORMATION FOR INVESTORS”** sections contain some important legal information regarding the basis on which this Prospectus may be used and other important matters.

The “**SUBSCRIPTION AND SALE**”, “**SELLING RESTRICTIONS**” and “**TRANSFER RESTRICTIONS**” sections contain a description of the material provisions of the Programme Agreement, which includes the selling restrictions applicable to any Notes that may be issued under the Programme as well as restrictions regarding transfers of the Notes.

The “**FORM OF FINAL TERMS**” section sets out the respective forms of Final Terms that the relevant Issuer will publish if it offers any Notes under the Programme. Any such completed Final Terms will detail the relevant information applicable to each respective offer, adjusted to be relevant only to the specific Notes being offered.

The “**ADDITIONAL INFORMATION**” section sets out further information on the Bank, the Company and the Programme which the Bank and the Company are required to include under applicable rules. These include the availability of certain relevant documents for inspection, confirmations from the Bank and the Company and details relating to application for listing and application for admission to trading on the London Stock Exchange plc (the “**London Stock Exchange**”).

A “**TABLE OF CONTENTS**” section, with corresponding page references, is set out on the following page.

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## SUMMARY

*Summaries are made up of disclosure requirements known as “**Elements**”. These elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of notes and the Issuers. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of notes and the Issuers, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary and marked as ‘Not applicable’.*

| Section A - Introduction and warnings |   |
|---------------------------------------|---|
| A.1                                   | <p>This summary must be read as an introduction to this Prospectus. Any decision to invest in Notes should be based on consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EU Member States, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such Notes.</p>  |
| A.2                                   | <p><b>Programme Summary:</b></p> <p>The relevant Issuer may provide its consent to the use of this Prospectus and the relevant Final Terms for subsequent resale or final placement of Notes by financial intermediaries, provided that the subsequent resale or final placement of Notes by such financial intermediaries is made during the Offer Period specified below. Such consent may be subject to conditions which are relevant for the use of the Prospectus.</p> <p><b>Issue specific summary:</b></p> <p>[The [Bank][the Company] consents to the use of the Prospectus and these Final Terms with respect to the subsequent resale or final placement of Notes (a “<b>Public Offer</b>”) which satisfies all of the following conditions:</p> <p>the Public Offer is only made in [Austria,] [Belgium,] [Denmark,] [France,] [Germany,] [Gibraltar,] [Ireland,] [Italy,] [Luxembourg,] [Malta,] [the Netherlands,] [Portugal,] [Spain] [and/or] [the United Kingdom]; [and]</p> <p>the Public Offer is only made during the period from and including [●], to, but excluding, [●] (or such earlier time as specified by the relevant Issuer) (the “<b>Offer Period</b>”); [and]</p> <p>the Public Offer is only made by [●] [and] [each financial intermediary whose name is published on the [Bank’s][the Company’s] website (<a href="http://www.lloydsbankinggroup.com">http://www.lloydsbankinggroup.com</a>) and who is identified as an authorised offeror for these Notes] [any financial intermediary which (i) is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) and (ii) has published on its website that it is using the Prospectus in accordance with the [Bank’s][Company’s] consent and the conditions attached thereto] ([each] an “<b>Authorised Offeror</b>”)[.]; and]</p> <p>[●].</p> |

|  |   |
|--|---|
|  | <p><b>Information on the terms and conditions of an offer by any Authorised Offeror is to be provided at the time of that offer by the Authorised Offeror.]</b></p> <p>[Not Applicable: the Issuer does not consent to the use of the Prospectus for subsequent resales.]</p> |
|--|---|

| Section B – The Bank |   |   |
|----------------------|---|---|
| <b>B.1</b>           | <b>Bank’s legal and commercial Name</b> | <p>Lloyds Bank plc.</p> <p>Please note that there are two issuers under the Programme. The equivalent information relating to the Company is set out on page 12.</p>  |
| <b>B.2</b>           | <b>Domicile and legal form</b>          | <p>The Bank is a public limited company incorporated and registered in England with limited liability under the Companies Act 1862 and the Companies Act 1985 with registered number 2065.</p>  |
| <b>B.4b</b>          | <b>Known trends affecting the Bank</b>  | <p>The business and earnings of the Bank and its subsidiary undertakings (together, the “<b>Lloyds Bank Group</b>”) can be affected by the fiscal and regulatory policies and other actions of various governmental and regulatory authorities in the UK, EU, US and elsewhere, which are all subject to change. The regulatory response to the financial crisis has led and will continue to lead to very substantial regulatory changes in the UK, EU and US and in other countries in which the Lloyds Bank Group operates. It has also (amongst other things) led to (i) a more assertive approach being demonstrated by the authorities in many jurisdictions; and (ii) enhanced capital, leverage and liquidity requirements (for example pursuant to the fourth Capital Requirements Directive (CRD IV)). Any future regulatory changes may restrict the Lloyds Bank Group’s operations, mandate certain lending activity and impose other, significant compliance costs.</p> <p>Known trends affecting the Lloyds Bank Group and the industry in which the Lloyds Bank Group operates include:</p> <ul style="list-style-type: none"> <li>• continuing political and regulatory scrutiny of the banking industry which is leading to increased or changing regulation that is likely to have a significant effect on the industry;</li> <li>• general changes in regulatory requirements; for example, prudential rules relating to the capital adequacy framework and rules designed to promote financial stability and increased depositor protection;</li> <li>• measures in the Financial Services (Banking Reform) Act 2013, and structural reforms proposed by the EU Commission on the EU banking sector, which include (i) ring-fencing domestic retail banking services of UK banks, (ii) HM Treasury increasing UK banks’ and building societies’ loss-absorbing capacity (including by way of bail-in bonds) and (iii) elevating the ranking of deposits covered by the UK Financial Services Compensation Scheme (the “<b>FSCS</b>”) on a winding-up to rank ahead of the claims of all other unsecured creditors;</li> </ul> |



|  |   | <ul style="list-style-type: none"> <li>increased US regulation including the US Dodd-Frank Wall Street Reform and Consumer Protection Act, which contain far-reaching regulatory reform (including restrictions on proprietary trading and fund-related activities (the ‘Volcker rule’));</li> <li>investigations by the Office of Fair Trading into Visa and MasterCard credit and debit interchange rates, which may have an impact on the Group; and</li> <li>changes in competition and pricing environments.</li> </ul>  |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |               |               |                  |          |          |  |               |               |                          |          |          |            |       |         |
|--|---|---|--|---------------------------------|---------------------------------|--|-------|-------|--|----------------|--|--|-------|-------|--|-------------------|--|---------------------|--------|-------|--------------|--------|--------|---------------------|---------------|---------------|------------------|----------|----------|--|---------------|---------------|--------------------------|----------|----------|------------|-------|---------|
| <b>B.5</b>                                   | <b>Description of the group</b>   | <p>The Lloyds Bank Group is a leading provider of financial services to individual and business customers in the UK.</p> <p>The businesses of the Lloyds Bank Group are in or owned by the Bank and the Bank is wholly owned by the Company.</p>  |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |               |               |                  |          |          |  |               |               |                          |          |          |            |       |         |
| <b>B.9</b>                                   | <b>Profit forecast or estimates</b>                                     | Not applicable; the Bank has chosen not to include a profit forecast or estimate.   |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |               |               |                  |          |          |  |               |               |                          |          |          |            |       |         |
| <b>B.10</b>                                  | <b>Any qualifications in the audit report</b>                           | Not applicable; neither of the audit reports on the Bank’s consolidated financial statements for the financial years ended 31 December 2013 and 2014 included any modifications or qualifications.  |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |               |               |                  |          |          |  |               |               |                          |          |          |            |       |         |
| <b>B.12</b>                                  | <b>Selected historical key financial information regarding the Bank</b> | <p>The following summary financial data for each of the financial years ended 31 December 2013 and 2014 has been extracted, without material adjustment, from Lloyds Bank Group’s consolidated financial statements in respect of those dates or relevant periods, as applicable.</p> <p>There has been no significant change in the financial position of the Lloyds Bank Group since 31 December 2014 and there has been no material adverse change in the prospects of the Bank since 31 December 2014.</p> <p><b>Consolidated Income Statement</b></p> <table> <tr> <th></th><th><b>Year to 31 December 2014</b></th><th><b>Year to 31 December 2013</b></th></tr> <tr> <td></td><td><hr/></td><td><hr/></td></tr> <tr> <td></td><td><b>Audited</b></td><td></td></tr> <tr> <td></td><td><hr/></td><td><hr/></td></tr> <tr> <td></td><td><i>(£million)</i></td><td></td></tr> <tr> <td>Net Interest Income</td><td>10,214</td><td>6,990</td></tr> <tr> <td>Other Income</td><td>19,948</td><td>31,227</td></tr> <tr> <td><b>Total income</b></td><td><b>30,162</b></td><td><b>38,217</b></td></tr> <tr> <td>Insurance claims</td><td>(13,493)</td><td>(19,507)</td></tr> <tr> <td><b>Total income, net of insurance claims</b></td><td><b>16,669</b></td><td><b>18,710</b></td></tr> <tr> <td>Total operating expenses</td><td>(13,628)</td><td>(15,075)</td></tr> <tr> <td>Impairment</td><td>(752)</td><td>(2,741)</td></tr> </table> |  | <b>Year to 31 December 2014</b> | <b>Year to 31 December 2013</b> |  | <hr/> | <hr/> |  | <b>Audited</b> |  |  | <hr/> | <hr/> |  | <i>(£million)</i> |  | Net Interest Income | 10,214 | 6,990 | Other Income | 19,948 | 31,227 | <b>Total income</b> | <b>30,162</b> | <b>38,217</b> | Insurance claims | (13,493) | (19,507) | <b>Total income, net of insurance claims</b> | <b>16,669</b> | <b>18,710</b> | Total operating expenses | (13,628) | (15,075) | Impairment | (752) | (2,741) |
|  | <b>Year to 31 December 2014</b>   | <b>Year to 31 December 2013</b>   |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |               |               |                  |          |          |  |               |               |                          |          |          |            |       |         |
|  | <hr/>   | <hr/>   |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |               |               |                  |          |          |  |               |               |                          |          |          |            |       |         |
|  | <b>Audited</b>  |   |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |               |               |                  |          |          |  |               |               |                          |          |          |            |       |         |
|  | <hr/>   | <hr/>   |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |               |               |                  |          |          |  |               |               |                          |          |          |            |       |         |
|  | <i>(£million)</i>   |   |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |               |               |                  |          |          |  |               |               |                          |          |          |            |       |         |
| Net Interest Income                          | 10,214  | 6,990   |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |               |               |                  |          |          |  |               |               |                          |          |          |            |       |         |
| Other Income                                 | 19,948  | 31,227  |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |               |               |                  |          |          |  |               |               |                          |          |          |            |       |         |
| <b>Total income</b>                          | <b>30,162</b>   | <b>38,217</b>   |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |               |               |                  |          |          |  |               |               |                          |          |          |            |       |         |
| Insurance claims                             | (13,493)  | (19,507)  |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |               |               |                  |          |          |  |               |               |                          |          |          |            |       |         |
| <b>Total income, net of insurance claims</b> | <b>16,669</b>   | <b>18,710</b>   |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |               |               |                  |          |          |  |               |               |                          |          |          |            |       |         |
| Total operating expenses                     | (13,628)  | (15,075)  |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |               |               |                  |          |          |  |               |               |                          |          |          |            |       |         |
| Impairment                                   | (752)   | (2,741)   |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |               |               |                  |          |          |  |               |               |                          |          |          |            |       |         |

|  |  |  |                            |                            |
|--|--|--|----------------------------|----------------------------|
|  |  | <b>Profit (loss)<br/>before tax</b>  | 2,289                      | 894                        |
|  |  | <b>Consolidated Balance Sheet</b>  |                            |                            |
|  |  |  | <b>At 31 December 2014</b> | <b>At 31 December 2013</b> |
|  |  |  | <b>Audited</b>             |                            |
|  |  |  | <i>(£million)</i>          |                            |
|  |  | <b>Assets</b>  |                            |                            |
|  |  | Cash and<br>balances at<br>central banks   | 50,492                     | 49,915                     |
|  |  | Trading and<br>other financial<br>assets at fair<br>value through<br>profit or loss      | 152,520                    | 143,207                    |
|  |  | Derivative<br>financial<br>instruments   | 35,483                     | 29,592                     |
|  |  | Loans and<br>receivables:  |                            |                            |
|  |  | Loans and<br>advances to<br>customers  | 482,704                    | 492,952                    |
|  |  | Loans and<br>advances to<br>banks  | 26,155                     | 25,365                     |
|  |  | Debt securities  | 1,213                      | 1,355                      |
|  |  | Due from fellow<br>Lloyds Banking<br>Group<br>undertakings                               | 11,482                     | 15,453                     |
|  |  |  | 521,554                    | 535,125                    |
|  |  | Available-for-<br>sale financial<br>assets   | 56,493                     | 43,976                     |
|  |  | Other assets   | 49,906                     | 55,539                     |
|  |  | <b>Total assets</b>  | <b>866,448</b>             | <b>857,354</b>             |
|  |  | <b>Liabilities</b>   |                            |                            |
|  |  | Deposits from<br>banks   | 10,887                     | 13,982                     |
|  |  | Customer<br>deposits   | 447,067                    | 439,467                    |
|  |  | Due to fellow<br>Lloyds Banking<br>Group<br>Undertakings                                 | 5,288                      | 8,797                      |
|  |  | Trading and<br>other financial<br>liabilities at fair<br>value through<br>profit or loss | 62,102                     | 43,625                     |
|  |  | Derivative<br>financial  | 33,293                     | 27,898                     |

|             |   |  |
|-------------|---|--|
|             |   | instruments<br>Debt securities in issue 75,672 86,566<br>Liabilities arising from insurance and investment contracts 114,509 110,782<br>Subordinated liabilities 31,973 33,534<br>Other liabilities 35,667 48,617<br><b>Total liabilities</b> <b>816,458</b> <b>813,268</b><br><b>Total equity</b> <b>49,990</b> <b>44,086</b><br><b>Total liabilities and equity</b> <b>866,448</b> <b>857,354</b>  |
| <b>B.13</b> | <b>Recent events relevant to the evaluation of the Bank's solvency</b>          | There have been no recent events particular to the Bank which are to a material extent relevant to the evaluation of the Bank's solvency.  |
| <b>B.14</b> | <b>Extent to which the Bank is dependent on other entities within the Group</b> | The whole of the issued ordinary share capital of the Bank is owned by the Company, which is the ultimate holding company of the Group. The financial position of the Group is dependent on the financial position of its subsidiary undertakings.   |
| <b>B.15</b> | <b>Bank's principal activities</b>  | Lloyds Bank Group is a leading provider of financial services to individual and business customers in the UK. Its main business activities are retail and commercial banking and long-term savings, protection and investment.   |
| <b>B.16</b> | <b>Extent to which the Bank is directly owned or controlled</b>                 | The whole of the issued ordinary share capital of the Bank is owned by the Company, which is the ultimate holding company of the Bank and its subsidiary undertakings.   |
| <b>B.17</b> | <b>Credit ratings</b>   | <p><b>Programme summary:</b></p> <p>The long-term senior obligations of the Bank are rated "A" by Standard &amp; Poor's Credit Market Services Europe Limited ("<b>S&amp;P</b>"), "A1" by Moody's Investors Service Ltd. ("<b>Moody's</b>") and "A" by Fitch Ratings Limited ("<b>Fitch</b>"). The short-term obligations of the Bank are rated "A-1" by S&amp;P, "P-1" by Moody's and "F1" by Fitch.</p> <p>Tranches of Notes to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to Notes already issued. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p> <p><b>Issue specific summary:</b></p> |

|             |  |   |
|-------------|--|---|
|             |  | <p>[The Notes [are not/have been/are expected to be] rated]:</p> <p>[rating agency]: [●]</p> <p>[[rating agency] [is established in the EU and registered under the CRA Regulation (Regulation (EC) No 1060/2009).]</p> |
| <b>B.18</b> | <b>Nature and scope of the guarantee</b> | Not applicable; the Notes issued under the Programme will not be guaranteed.  |
| <b>B.19</b> | <b>Information about the guarantor</b>   | Not applicable; the Notes issued under the Programme will not be guaranteed.  |

| <b>Section B – The Company</b> |  |   |
|--------------------------------|--|---|
| <b>B.1</b>                     | <b>Company’s legal and commercial Name</b> | <p>Lloyds Banking Group plc.</p> <p>Please note that there are two issuers under the Programme. The equivalent information relating to the Bank is set out on page 8.</p>   |
| <b>B.2</b>                     | <b>Domicile and legal form</b>             | The Company is a public limited company incorporated and registered in Scotland with limited liability under the Companies Act 1985 with registered number 95000.   |
| <b>B.4b</b>                    | <b>Known trends affecting the Company</b>  | <p>The business and earnings of the Company and its subsidiary undertakings (together, the “<b>Group</b>”) can be affected by the fiscal and regulatory policies and other actions of various governmental and regulatory authorities in the UK, EU, US and elsewhere, which are all subject to change. The regulatory response to the financial crisis has led and will continue to lead to very substantial regulatory changes in the UK, EU and US and in other countries in which the Group operates. It has also (amongst other things) led to (i) a more assertive approach being demonstrated by the authorities in many jurisdictions; and (ii) enhanced capital, leverage and liquidity requirements (for example pursuant to the fourth Capital Requirements Directive (CRD IV)). Any future regulatory changes may restrict the Group’s operations, mandate certain lending activity and impose other, significant compliance costs.</p> <p>Known trends affecting the Group and the industry in which Group operates include:</p> <ul style="list-style-type: none"> <li>• continuing political and regulatory scrutiny of the banking industry which is leading to increased or changing regulation that is likely to have a significant effect on the industry;</li> <li>• general changes in regulatory requirements; for example, prudential rules relating to the capital adequacy framework and rules designed to promote financial stability and increased depositor protection;</li> <li>• measures in the Financial Services (Banking Reform) Act 2013, and structural reforms proposed by the EU Commission on the EU banking sector, which include (i) ring-fencing</li> </ul> |

|                     |  | <p>domestic retail banking services of UK banks, (ii) HM Treasury increasing UK banks' and building societies' loss-absorbing capacity (including by way of bail-in bonds) and (iii) elevating the ranking of deposits covered by the UK Financial Services Compensation Scheme (the "FSCS") on a winding-up to rank ahead of the claims of all other unsecured creditors;</p> <ul style="list-style-type: none"> <li>increased US regulation including the US Dodd-Frank Wall Street Reform and Consumer Protection Act, which contain far-reaching regulatory reform (including restrictions on proprietary trading and fund-related activities (the 'Volcker rule'));</li> <li>investigations by the Office of Fair Trading into Visa and MasterCard credit and debit interchange rates, which may have an impact on the Group; and</li> <li>changes in competition and pricing environments.</li> </ul>  |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |              |              |
|---------------------|--|--|--|---------------------------------|---------------------------------|--|-------|-------|--|----------------|--|--|-------|-------|--|-------------------|--|---------------------|--------|-------|--------------|--------|--------|---------------------|--------------|--------------|
| <b>B.5</b>          | <b>Description of the group</b>  | <p>The Group is a leading provider of financial services to individual and business customers in the UK.</p> <p>The businesses of the Group are in or owned by the Bank and the Bank is wholly owned by the Company.</p>   |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |              |              |
| <b>B.9</b>          | <b>Profit forecast or estimates</b>  | Not applicable; the Company has chosen not to include a profit forecast or estimate.   |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |              |              |
| <b>B.10</b>         | <b>Any qualifications in the audit report</b>                              | Not applicable; neither of the audit reports on the Company's consolidated financial statements for the financial years ended 31 December 2013 and 2014 included any modifications or qualifications.  |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |              |              |
| <b>B.12</b>         | <b>Selected historical key financial information regarding the Company</b> | <p>The following summary financial data for each of the financial years ended 31 December 2013 and 2014 has been extracted, without material adjustment, from the Group's consolidated financial statements in respect of those dates or relevant periods, as applicable.</p> <p>There has been no significant change in the financial position of the Group since 31 December 2014 and there has been no material adverse change in the prospects of the Company since 31 December 2014.</p> <p><b>Consolidated Income Statement</b></p> <table> <tr> <th></th><th><b>Year to 31 December 2014</b></th><th><b>Year to 31 December 2013</b></th></tr> <tr> <td></td><td><hr/></td><td><hr/></td></tr> <tr> <td></td><td><b>Audited</b></td><td></td></tr> <tr> <td></td><td><hr/></td><td><hr/></td></tr> <tr> <td></td><td><i>(£million)</i></td><td></td></tr> <tr> <td>Net Interest Income</td><td>10,660</td><td>7,338</td></tr> <tr> <td>Other Income</td><td>19,232</td><td>30,647</td></tr> <tr> <td><b>Total Income</b></td><td><hr/>29,892</td><td><hr/>37,985</td></tr> </table> |  | <b>Year to 31 December 2014</b> | <b>Year to 31 December 2013</b> |  | <hr/> | <hr/> |  | <b>Audited</b> |  |  | <hr/> | <hr/> |  | <i>(£million)</i> |  | Net Interest Income | 10,660 | 7,338 | Other Income | 19,232 | 30,647 | <b>Total Income</b> | <hr/> 29,892 | <hr/> 37,985 |
|                     | <b>Year to 31 December 2014</b>  | <b>Year to 31 December 2013</b>  |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |              |              |
|                     | <hr/>  | <hr/>  |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |              |              |
|                     | <b>Audited</b>   |  |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |              |              |
|                     | <hr/>  | <hr/>  |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |              |              |
|                     | <i>(£million)</i>  |  |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |              |              |
| Net Interest Income | 10,660   | 7,338  |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |              |              |
| Other Income        | 19,232   | 30,647   |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |              |              |
| <b>Total Income</b> | <hr/> 29,892   | <hr/> 37,985   |  |                                 |                                 |  |       |       |  |                |  |  |       |       |  |                   |  |                     |        |       |              |        |        |                     |              |              |

|  |  |   |                                 |                                 |
|--|--|---|---------------------------------|---------------------------------|
|  |  | Insurance claims  | (13,493)                        | (19,507)                        |
|  |  | <b>Total income, net of insurance claims</b>                            | <b>16,399</b>                   | <b>18,478</b>                   |
|  |  | Total operating expenses  | (13,885)                        | (15,322)                        |
|  |  | Impairment  | (752)                           | (2,741)                         |
|  |  | <b>Profit (loss) before tax</b>   | <b>1,762</b>                    | <b>415</b>                      |
|  |  | <b>Consolidated Balance Sheet</b>                                       |                                 |                                 |
|  |  |   | <b>Year to 31 December 2014</b> | <b>Year to 31 December 2013</b> |
|  |  |   | <b>Audited</b>                  |                                 |
|  |  |   | <i>(£million)</i>               |                                 |
|  |  | <b>Assets</b>   |                                 |                                 |
|  |  | Cash and balances at central banks                                      | 50,492                          | 49,915                          |
|  |  | Trading and other financial assets at fair value through profit or loss | 151,931                         | 142,683                         |
|  |  | Derivative financial instruments  | 36,128                          | 30,804                          |
|  |  | Loans and receivables:  |                                 |                                 |
|  |  | Loans and advances to customers   | 482,704                         | 492,952                         |
|  |  | Loans and advances to banks   | 26,155                          | 25,365                          |
|  |  | Debt securities   | 1,213                           | 1,355                           |
|  |  |   | 510,072                         | 519,672                         |
|  |  | Available-for-sale financial assets                                     | 56,493                          | 43,976                          |
|  |  | Other assets  | 49,780                          | 55,330                          |
|  |  | <b>Total assets</b>   | <b>854,896</b>                  | <b>842,380</b>                  |
|  |  | <b>Liabilities</b>  |                                 |                                 |
|  |  | Deposits from banks   | 10,887                          | 13,982                          |
|  |  | Customer deposits   | 447,067                         | 439,467                         |
|  |  | Trading and   | 62,102                          | 43,625                          |

|             |  |  |
|-------------|--|--|
|             |  | <p>other financial liabilities at fair value through profit or loss</p> <hr/> <p>Derivative financial instruments</p> <p>33,187 27,658</p> <p>Debt securities in issue</p> <p>76,233 87,102</p> <p>Liabilities arising from insurance and investment contracts</p> <p>114,486 110,758</p> <p>Subordinated liabilities</p> <p>26,042 32,312</p> <p>Other liabilities</p> <p>34,989 48,140</p> <hr/> <p><b>Total liabilities</b></p> <p><b>804,993 803,044</b></p> <hr/> <p><b>Total equity</b></p> <p><b>49,903 39,336</b></p> <hr/> <p><b>Total liabilities and equity</b></p> <p><b>854,896 842,380</b></p> |
| <b>B.13</b> | <b>Recent events relevant to the evaluation of the Company's solvency</b>          | There have been no recent events particular to the Company which are to a material extent relevant to the evaluation of the Company's solvency.  |
| <b>B.14</b> | <b>Extent to which the Company is dependent on other entities within the Group</b> | The Company is the ultimate holding company of the Group. The financial position of the Group is dependent on the financial position of its subsidiary undertakings.   |
| <b>B.15</b> | <b>Company's principal activities</b>  | The Group is a leading provider of financial services to individual and business customers in the UK. Its main business activities are retail and commercial banking and long-term savings, protection and investment.   |
| <b>B.16</b> | <b>Extent to which the Company is directly owned or controlled</b>                 | The Company is the ultimate holding company of the Group and its subsidiary undertakings.  |
| <b>B.17</b> | <b>Credit ratings</b>  | <p><b>Programme summary:</b></p> <p>The long-term senior obligations of the Company are rated "BBB" by Standard &amp; Poor's Credit Market Services Europe Limited ("<b>S&amp;P</b>"), "A2" by Moody's Investors Service Ltd. ("<b>Moody's</b>") and "A" by Fitch Ratings Limited ("<b>Fitch</b>"). The short-term obligations of the Company are rated "A-2" by S&amp;P, "P-1" by Moody's and "F1" by Fitch.</p> <p>Tranches of Notes to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not</p>  |

|             |  |  |
|-------------|--|--|
|             |  | <p>necessarily be the same as the rating assigned to Notes already issued. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p> <p><b>Issue specific summary:</b></p> <p>[The Notes [are not/have been/are expected to be] rated]:</p> <p>[rating agency]: [●]]</p> <p>[[rating agency] [is established in the EU and registered under the CRA Regulation (Regulation (EC) No 1060/2009).]</p> |
| <b>B.18</b> | <b>Nature and scope of the guarantee</b> | Not applicable; the Notes issued under the Programme will not be guaranteed.   |
| <b>B.19</b> | <b>Information about the guarantor</b>   | Not applicable; the Notes issued under the Programme will not be guaranteed.   |

| Section C – Securities |                           |   |
|------------------------|---------------------------|---|
| <b>C.1</b>             | <b>Type and the class</b> | <p><b>Programme summary:</b></p> <p>The Notes described in this summary are debt securities which may be issued under the £5,000,000,000 Low Denomination Euro Medium Term Note programme of Lloyds Bank plc and Lloyds Banking Group plc arranged by Merrill Lynch International. Lloyds Bank plc, Australia and New Zealand Banking Group Limited, Barclays Bank PLC, CIBC World Markets plc, Commonwealth Bank of Australia, Deutsche Bank AG, London Branch, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt-am-Main, J.P. Morgan Securities plc, National Australia Bank (ABN 12 004 044 937), The Toronto-Dominion Bank and Westpac Banking Corporation (ABN 33 007 457 141), also act as dealers under the Programme.</p> <p>The Issuers may from time to time terminate the appointment of any dealer or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this summary and Prospectus to “<b>Dealers</b>” are to all persons appointed as a dealer in respect of one or more Tranches (as defined below) by the relevant Issuer from time to time.</p> <p>The Notes may be issued on a syndicated or a non-syndicated basis. The Notes will be issued in series (each a “<b>Series</b>”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “<b>Tranche</b>”) on the same or different issue dates. The Notes may be Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes, as specified below. Notes may be issued at their nominal amount or</p> |



|     |  |  |
|-----|--|--|
|     |  | <p>at a discount or premium to their nominal amount. The Issue Price of the relevant Notes will be determined by the relevant Issuer before filing of the relevant Final Terms of each Tranche based on the prevailing market conditions. Notes will be in such denominations as may be specified below.</p> <p>The Notes may be issued in bearer form (“<b>Bearer Notes</b>”) or in registered form (“<b>Registered Notes</b>”) only.</p> <p><b>Issue specific summary:</b></p> <p>Series Number: [●]</p> <p>Tranche Number: [●]</p> <p>Aggregate Nominal Amount</p> <p>(i) Series: [●]</p> <p>(ii) Tranche: [●]</p> <p>Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]</p> <p>Specified Denomination: [●]</p> <p>Form of Notes: [Bearer Notes:]</p> <p>[Temporary Global Note].]/[Permanent Global Note].]</p> <p>[Registered Notes]</p> <p>[Global Certificate]</p> <p>ISIN Code: [●]</p> <p>Common Code: [●]</p> |
| C.2 | Currency of the issue                    | <p><b>Programme summary:</b></p> <p>Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the relevant Issuer and the relevant Dealer or Dealers.</p> <p>The Programme provides that Notes may be denominated in a Specified Currency but be payable in the Payment Currency.</p> <p><b>Issue specific summary:</b></p> <p>The Specified Currency or Currencies of the Notes [is/are] [●].</p> <p>The Payment Currency or Currencies of the Notes [is/are] [●].</p>   |
| C.5 | Restrictions on the free transferability | <p><b>Programme summary:</b></p> <p>The Notes will be freely transferable. However, the primary offering of any Notes will be subject to offer restrictions in the United States, the United Kingdom, Argentina, Australia, Belgium, Bermuda, Brazil, Cayman Islands, Chile, Columbia, Denmark, Dubai International Finance</p>  |

|     |                              |  |
|-----|------------------------------|--|
|     |                              | <p>Centre, Ecuador, France, Gibraltar Guernsey, Hong Kong, Ireland, Isle of Man, Israel, Japan, Jersey, Malta, Mexico, Monaco, The Netherlands, Panama, Paraguay, People's Republic of China, Peru, Portugal, Republic of Korea, San Marino, Singapore, Spain, Sweden, Switzerland, Taiwan, United Arab Emirates (excluding the Dubai International Finance Centre), Uruguay and Venezuela and to any applicable offer restrictions in any other jurisdiction in which such Notes are offered or sold. Each of the Issuers are Category 2 for the purposes of Regulation S (“<b>Regulation S</b>”) under the United States Securities Act 1933, as amended.</p> <p><b>Issue specific summary:</b></p> <p>U.S. selling restrictions: Regulation S Compliance Category 2;<br/>[TEFRA C/TEFRA D/TEFRA Not Applicable]</p>   |
| C.8 | Rights attached to the Notes | <p><b>Status of the Notes</b></p> <p>The Notes, save as provided by applicable law, constitute unsecured and unsubordinated debt obligations of each Issuer. The Notes will rank <i>pari passu</i> (i.e. equally in right of payment), without any preference among themselves and the payment obligations of the relevant Issuer shall rank at least equally with their respective other present and future unsecured and unsubordinated obligations.</p> <p><b>Events of default</b></p> <p>An event of default generally refers to a breach by the relevant Issuer of certain provisions described in the Conditions. Events of default under the Notes arise out of non-payment of principal or interest and insolvency or winding up proceedings. Customary thresholds and grace periods are applicable before such events described above will be deemed to constitute ‘events of default’ under the Conditions. The events of default are more limited than is customary for corporate issuers.</p> <p><b>Meetings of Noteholders</b></p> <p>The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting the interests of the Noteholders. These provisions permit certain majorities to bind all Noteholders, including Noteholders who did not vote on the relevant resolution and Noteholders who did not attend and/or vote in the same way as the majority.</p> <p><b>Governing Law</b></p> <p>English law.</p> |
| C.9 | Rights attached to the Notes | <p><b>Interest</b></p> <p>Notes may or may not bear interest. Interest-bearing Notes will either bear interest payable at a fixed rate or a floating rate. Interest will be payable on such date or dates as may be specified below.</p> <p><i>Fixed Rate Notes</i></p> <p><b>Issue specific summary:</b></p> <p>[The Notes are not Fixed Rate Notes.]</p>   |

[Rate[(s)] of Interest: [●] per cent. per annum

Interest Payment Date(s): [●] and [●] in each year

*Floating Rate Notes*

Floating Rate Notes will have interest determined separately for each Series; either determined on the basis of the applicable 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc) or else by reference to LIBOR or EURIBOR, as adjusted for any applicable margin.

**Issue specific summary:**

[The Notes are not Floating Rate Notes.]

[Interest Period(s): [●]

[Specified Interest [●] and [●] in each year, subject to  
Payment Dates: adjustment in accordance with the Business  
Day Convention set out below]

Business Day [Floating Rate Convention/Following  
Convention: Business Day Convention/Modified  
Following Business Day Convention/  
Preceding Business Day Convention]

Manner in which the Rate [Screen Rate Determination/ISDA  
of Interest is to be Determination]  
determined:

Margin(s): [+/-][●] per cent. per annum

Minimum Rate of [●]  
Interest:

Maximum Rate of [●]  
Interest:

*Zero Coupon Notes:*

Zero Coupon Notes will be issued at a discount to their nominal amount and will not bear interest.

**Issue specific summary:**

[The Notes are not Zero Coupon Notes.]

[Amortisation Yield: [●]]

**Redemption**

**Maturity**

The relevant Maturity Date for a Series of Notes is specified below.  
Unless repaid or purchased earlier, the [Bank] / [the Company] will repay the Notes on the Maturity Date at [100] per cent. of their nominal amount.

**Issue specific summary:**

Maturity Date: [[●]/Interest Payment Date falling in or nearest to [●]].

**Early redemption**

The [Bank] / [the Company] may elect to repay the Notes prior to their maturity date in certain circumstances for tax reasons. In addition, if so specified below, the Notes (or some only of them) may be redeemed prior to their maturity date in certain circumstances, including pursuant to a [Bank] / [Company] call option and/or an investor put option.

**Issue specific summary:**

*Call Option* [Applicable/Not Applicable]

Optional Redemption [●]

Date(s):

Optional Redemption Amount(s): [[●] per Calculation Amount/Early Redemption Amount]

If redeemable in part:

(a) Minimum Redemption Amount: [●]

(b) Maximum Redemption Amount: [●]

Notice Period: [●]/[Not less than five nor more than [●] days]

*Put Option* [Applicable/Not Applicable]

Optional Redemption [●]

Date(s):

Optional Redemption Amount(s): [[●] per Calculation Amount/Early Redemption Amount]

Notice period: [●]

Final Redemption Amount: [●] per Calculation Amount

Early Redemption Amount: [●] per Calculation Amount

**Indication of yield**

[Yield will be calculated on the basis of the Issue Price and is set out below. This is not an indication of future yield.]

**Issue specific summary:**

[The Notes are not Fixed Rate Notes.]

[Yield on the Issue Date: [●] per cent. per annum]

**Trustee**

[●]

|             |   |  |
|-------------|---|--|
| <b>C.10</b> | <b>Whether the Notes have a derivative component in the interest payment</b>                  | <p>[Not applicable; there will be no derivative component in any interest payments made in respect of the Notes.] [The Notes do not bear interest.]</p> <p>[The amount of interest payable on each Interest Payment Date will be calculated by reference to exchange rates. Notes will be denominated in [●] but payable in [●] as calculated [●] days before the relevant Interest Payment Date or the Maturity Date.]</p>  |
| <b>C.11</b> | <b>Listing and admission to trading</b>   | <p><b>Programme summary:</b></p> <p>Application has been made to admit Notes issued during the period of 12 months from the date of this Prospectus to listing on the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange plc's (the "<b>London Stock Exchange</b>") regulated market. Notes denominated in pounds sterling, euro or US dollars may also be listed on the London Stock Exchange's order book for retail bonds.</p> <p><b>Issue specific summary:</b></p> <p>[The London Stock Exchange's regulated market and the Official List of the London Stock Exchange [and through its order book for retail bonds] with effect from [●].]</p> |
| <b>C.21</b> | <b>Market where the securities will be traded and for which prospectus has been published</b> | <p><b>Programme summary:</b></p> <p>Application has been made to admit Notes issued during the period of 12 months from the date of this Prospectus to listing on the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange plc's (the "<b>London Stock Exchange</b>") regulated market. Notes denominated in pounds sterling, euro or US dollars may also be listed on the London Stock Exchange's order book for retail bonds.</p> <p><b>Issue specific summary:</b></p> <p>[The London Stock Exchange's regulated market and the Official List of the London Stock Exchange [and through its order book for retail bonds] with effect from [●].]</p> |

| <b>Section D – Risks</b> |  |  |
|--------------------------|--|--|
| <b>D.2</b>               | <b>Key information on the key risks that are specific to the Bank, the Company and the Group</b> | <p>Summary of key risks that may affect the Bank, the Company and the Group</p> <p><b>Credit risk:</b> The Group is exposed to many different counterparties and obligors and the credit quality of its exposures can have a significant impact on the Group.</p> <p>Weak or deteriorating economic conditions may heighten counterparty and credit-related risks. A slowdown of the global economy or any particular market in which the Bank and/or the Company operates could result in a negative impact on customers' ability to honour their obligations.</p> <p><b>Conduct risk:</b> The Group is exposed to the risk of mis-selling financial products, mishandling of complaints, business planning and strategy not being based upon customer need and processes and not supporting fair customer outcomes, and engaging in conduct which disrupts the</p> |

|     |                    |   |
|-----|--------------------|---|
|     |                    | <p>fair and effective operation of a market in which it is active.</p> <p><b>Legal and regulatory-related risk:</b> Non-compliance by the Group with applicable laws, regulations, codes and initiatives relevant to the financial services industry could lead to fines, public reprimands, damage to reputation, increased prudential requirements and constrained business operations.</p> <p><b>Business and economic risk:</b> A general deterioration of macro-economic conditions in the UK, Eurozone and other markets in which the Group operates could have an impact on the Group's businesses resulting in a negative impact to the Group's results of operations, financial condition or prospects.</p> <p><b>Operational risk:</b> Any weakness or failure in the Group's systems which allows it to monitor compliance with laws or effectively run its business could have an adverse impact on the Group. The Group may also fail to successfully implement strategic change initiatives and attract and retain senior management and employees of the Group, each of which could result in a negative impact for the Group's results of operations, financial condition or prospects.</p> <p><b>Financial soundness-related risk:</b> The Group is exposed to the risk that it may be unable to meet its obligations as they fall due as a result of a sudden, and potentially protracted, increase in net cash outflows. These outflows could be principally through customer withdrawals, wholesale counterparties removing financing, collateral posting requirements or loan draw-downs.</p> <p>The Group may be unable to maintain appropriate capital and leverage ratios, which could lead to: (i) an inability to support business activity; (ii) a failure to meet regulatory requirements; and/or (iii) credit ratings downgrades. Increased regulatory capital requirements and changes to what constitutes eligible capital for different regulatory tests may constrain the Group's planned activities and could increase costs and contribute to adverse impacts on the Group's earnings.</p> <p><b>Government related risks:</b> Her Majesty's Treasury ("HM Treasury") currently holds more than 20 per cent. of the ordinary share capital of the Company. There is a residual risk that the UK Government and HM Treasury may attempt to influence the Group in ways that could affect the Group's business. The Group must also complete a full divestment of its shareholding in the Verde Business ("TSB") as mandated by the European Commission. There can be no assurance that the price that the Group receives for its remaining shareholding in TSB will be at a level which the Group considers adequate. If the Group fails to complete the full disposal of TSB by 31 December 2015, then in the absence of any further time extension being granted by the European Commission, a divestiture trustee may be appointed to conduct the sale, with a mandate to complete the disposal with no minimum price (including at a negative price).</p> |
| D.3 | Key information on | <p>The Notes are not protected by the FSCS. As a result, neither the FSCS nor anyone else will pay compensation to investors upon the failure of</p>  |

|  |  |   |
|--|--|---|
|  | <p><b>the key risks that are specific to the Notes</b></p> | <p>the Bank, the Company or the Group as a whole.</p> <p>The Notes may be repaid early at the relevant Issuer's option in certain circumstances. The relevant Issuer may be expected to repay the Notes, given the option, if its cost of borrowing is ever significantly lower than the interest rate on the Notes. At such time, an investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being repaid early.</p> <p>Defined majorities may be permitted to bind all Noteholders with respect to modification and waivers of the Conditions of the Notes, even if some Noteholders did not attend or vote.</p> <p>A market for the Notes may not develop, or may not be very liquid and such illiquidity may have an adverse effect on the market value of the Notes.</p> <p><b>Issue specific summary:</b></p> <p>[Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.]</p> <p>[The market price of Notes issued at a substantial [discount/premium] may experience greater fluctuations in certain circumstances.]</p> |
|--|--|---|

| Section E – Offer |   |  |
|-------------------|---|--|
| E.2b              | Reasons for the offer and use of proceeds | <p><b>Programme summary:</b></p> <p>The net proceeds from each issue of Notes will be applied by the relevant Issuer for its general corporate purposes. If, in respect of any particular issue there is a particular identified use of proceeds, this will be stated below.</p> <p><b>Issue specific summary:</b></p> <p>Reasons for the offer: [●]</p> <p>Use of proceeds: [●]</p>   |
| E.3               | Terms and conditions of the offer         | <p>[The terms and conditions of any offer of Notes to the public may be determined by agreement between the relevant Issuer and the Dealer(s) at the time of each issue.]</p> <p>[Not Applicable: the Notes have not been offered to the public.]</p> <p>[The Notes are offered subject to the following conditions:</p> <p>Offer Price: [The Issue Price][[●]]% of the Issue Price][●]</p> <p>Conditions to which the offer is subject: [Not Applicable/[●]]</p> <p>Description of the application process: [Not Applicable/[●]]</p> <p>Details of the minimum and/or maximum amount of application: [Not Applicable/[●]]</p> <p>Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable/[●]]</p> |

|            |   |   |
|------------|---|---|
|            |   | <p>Details of the method and time limits for paying up and delivering the Notes: [●]</p> <p>Manner in and date on which results of the offer are to be made public: [●]</p> <p>Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [●]</p> <p>Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made: [●]</p> <p>Name(s) and address(es), to the extent known to the [Bank] / [Company] , of the placers in the various countries where the offer takes place: [the [Initial] Authorised Offeror(s)][None] [●]</p> |
| <b>E.4</b> | <b>Description of interests material to the issue/offer including conflicting interests</b> | <p><b>Programme summary:</b></p> <p>The relevant Dealer(s) may be paid fees in relation to any issue of Notes. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the [Bank] / [Company] and its affiliates in the ordinary course of business.</p> <p><b>Issue specific summary:</b></p> <p>[Save for [●],] so far as the [Bank] / [Company] is aware, no person involved in the offer of the Notes has an interest material to the offer. [There are no conflicts of interest which are material to the offer of the Notes.]</p>                |
| <b>E.7</b> | <b>Estimated expenses charged to the investor by the Bank or the offerors</b>               | <p><b>Programme summary:</b></p> <p>If you intend to acquire or do acquire any Notes in a Public Offer from an offeror other than an Issuer or a Dealer in its capacity as an Authorised Offeror, you will do so in accordance with any terms and other arrangements in place between such offeror and you including as to price, allocations, expenses, payment and delivery arrangements. Neither the Issuers nor any of the Dealers are party to such terms or other arrangements.</p> <p><b>Issue specific summary:</b></p> <p>[The following expenses are to be charged to you by [●]:[●].]</p>  |



## RISK FACTORS

*The Issuers believe that the following factors may affect their ability to fulfil their obligations under the Notes issued under the Programme and confirm that the risks that are stated to apply to “the Group” below apply also to the Bank and the Company. All of these factors are contingencies which may or may not occur and the Issuers are not in a position to express a view on the likelihood of any such contingency occurring. Factors which the Issuers believe may be material for the purpose of assessing the market risks associated with Notes issued under the Programme in relation to the Group are also described below.*

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

### **Risk Factors relating to the Bank, the Company and the Group**

#### **1 Credit related risks**

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

The Group has exposures (lending, undrawn, derivative, equity or contingent) to many different products, counterparties and obligors and the credit quality of its exposures can have a significant impact on the Group’s earnings. Credit risk exposures are categorised as “retail”, arising primarily in the Retail, Consumer Finance and Run-Off divisions, and small and medium-sized enterprises (“SME”) and “corporate” (including medium and large corporate, banks, financial institutions and sovereigns), arising primarily in the Commercial Banking and Run-Off divisions. This reflects the risks inherent in the Group’s lending and lending-related activities and in the Insurance division primarily in respect of investment holdings (including loan assets) and exposures to reinsurers. Adverse changes in the credit quality of the Group’s UK and/or international borrowers and counterparties or collateral, or in their behaviour or businesses, may reduce the value of the Group’s assets and materially increase the Group’s write-downs and allowances for impairment losses. Credit risk can be affected by a range of factors outside the Group’s control, including an adverse economic environment (in the UK and/or in countries where the Group does and does not operate), reduced UK consumer and/or government spending (in light of the Group’s concentration in the UK), global economic slowdown, changes in the rating of individual counterparties, the debt levels of individual contractual counterparties and the economic environment in which they operate, increased unemployment, reduced asset values, increased personal or corporate insolvency levels, reduced corporate profits, changes (and the timing, quantum and pace of these changes) in interest rates, volatility of oil price, changes in foreign exchange rates, higher tenant defaults, counterparty challenges to the interpretation or validity of contractual arrangements and any external factors of a political, legislative or regulatory nature. In recent years, the effects of the global economic crisis have driven cyclically high bad debt charges. There are many other factors that could impact credit risk, for example fraud, natural disasters, flooding and war.

The Group has credit exposure both in the UK and internationally, including Europe and the United States, and including commercial real estate lending, where it has a high level of commercial real estate lending secured against secondary and tertiary non-prime assets in the UK and the Republic of Ireland. The Group

also has significant credit exposure to certain individual counterparties in cyclically weak sectors (such as leveraged lending, aviation, shipping and retail) and weakened geographic markets (such as the Republic of Ireland). In addition, the Group has concentrated country exposure in the UK and within certain industry sectors, namely real estate and real estate-related sectors. Retail customer portfolios (including those in the Retail Consumer Finance and Run-Off divisions) will remain strongly linked to the economic environment, with house price deterioration, unemployment increases, consumer over-indebtedness and rising interest rates among the factors that may impact secured and unsecured retail credit exposures.

In recent years, a number of factors such as Eurozone instability (including risk of economic stagnation, risk of a member leaving the Eurozone i.e. possibly Greece), the deterioration of capital market conditions, the global economic slowdown and measures adopted by the governments of individual countries have reduced and could further reduce households' disposable income and businesses' profitability. Such volatile conditions could also have a negative impact on customers' ability to honour their obligations, which in turn would result in deterioration of the Group's credit quality. If political conditions or uncertainty over the Eurozone, or the UK Government and Eurozone austerity measures and public spending cuts, result in a prolonged period of economic stagnation for the UK or Eurozone, or a slowdown in the rate of economic recovery, it may lead to further weakening of counterparty credit quality and subsequent higher impairment charges or fair value reductions in the Group's lending and derivative portfolios. This could have a material adverse effect on the Group's results of operations, financial condition or prospects. The possibility of prolonged economic stagnation in the Eurozone or the risk of a member leaving the Eurozone i.e. possibly Greece could impact the UK's own economic recovery. Given the extensive economic and financial links between the UK and the Eurozone, this could impact upon the Group's performance. The Group has credit exposure to SMEs and corporates, financial institutions and securities which may have material direct and indirect exposures in the Eurozone countries. Any default on the sovereign debt of these countries and the resulting impact on other Eurozone countries, including the potential that some countries could leave the Eurozone, could have a material adverse effect on the Group's business.

At present, default rates are partly cushioned by low rates of interest which have improved customer affordability, but the risk remains of increased default rates as interest rates start to rise. The timing, quantum and pace of any rise in interest rates is a key risk factor with expectations on the timing and quantum of any rises set by the Bank of England.

All new lending is dependent on the Group's assessment of each customer's ability to pay and there is an inherent risk that the Group has incorrectly assessed the credit quality or willingness of borrowers to pay, possibly as a result of incomplete or inaccurate disclosure by those borrowers or as a result of the inherent uncertainty that is involved in the exercise of constructing models to estimate the true risk of lending to counterparties. The Group estimates and establishes reserves for credit risks and potential credit losses inherent in its credit exposure. This process, which is critical to the Group's results and financial condition, requires difficult, subjective and complex judgements, including forecasts of how macro-economic conditions might impair the ability of borrowers to repay their loans. As is the case with any such assessments, there is always a risk that the Group will fail to adequately identify the relevant factors or that it will fail to estimate accurately the impact of these identified factors.

## **1.2 Concentration of credit and market risk could increase the Group's potential for significant losses.**

The Group has exposure to concentration risk where its business activities focus particularly on a similar type of customer (borrower, Financial Institution or Central Counter Party), product, industrial sector or geographic location, including the UK market.

The Group has large sectorial concentrations (for example in real estate and real estate-related lending, leveraged lending, certain asset-based lending products such as shipping, asset-backed securities and floating rate notes issued by financial institutions), as well as significant global credit exposure. Additionally, the

Group also has significant exposure to the UK residential mortgage market. Whilst progress has been made to mitigate concentration risk in certain portfolios (for example, real estate and real estate-related lending, leveraged lending, asset-backed securities and floating rate notes issued by financial institutions), the Group remains cautious and continues to expect challenges in achieving the required level of sales to ameliorate remaining concentrations.

The Group has significant real estate and real estate-related exposure, especially in secondary and tertiary assets, meaning that decreases in residential or commercial property values and/or increases in tenant defaults are likely to lead to higher impairment charges, which could materially affect the Group's results of operations, financial condition or prospects.

The Group's corporate lending portfolio also contains substantial exposure to large, mid-sized and private companies. These exposures to sectors that have experienced cyclical weakness in recent years, coupled with a historic strategy of taking large single name concentrations to non-listed companies, entrepreneurs and taking exposure at various levels of the capital structure, continue to give rise to significant single name (although reducing) and risk capital exposure. Whilst these exposures are appropriately provided for within the Board's base case assumptions, they remain vulnerable to downside risks.

Although heavily provided for, the Group's portfolio in the Republic of Ireland is materially exposed to the commercial (including hotel) and residential real estate sectors, which have been negatively impacted by the economic recession. As in the UK, the Group's lending business overseas is also exposed to a small number of long-term customer relationships and these single name concentrations place the Group at risk of loss should default occur.

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

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

The Group has some limited remaining credit exposure to market counterparties through securities insured or guaranteed by such parties and credit protection bought from such parties with respect to certain over-the-counter ("OTC") derivative contracts, mainly credit default swaps ("CDS") which are recorded at fair value. The fair value of these CDS and other securities, and the Group's exposure to the risk of default by the underlying counterparties, depend on the valuation and the perceived credit risk of the instrument insured or guaranteed or against which protection has been bought and the credit quality of the protection provider (e.g. the CDS counterparty). The Group seeks to limit and manage direct exposure to market counterparties, although indirect exposure may exist through other financial arrangements and counterparties. If the financial condition of market counterparties or their perceived creditworthiness deteriorates, the Group may record credit valuation adjustments on the underlying instruments insured by such parties. Any primary or indirect exposure to the financial condition or creditworthiness of these counterparties may have a materially adverse effect on the Group's results of operations, financial condition or prospects.

Although Credit Value Adjustment (“CVA”), Debit Value Adjustment (“DVA”) and Funding Value Adjustment (“FVA”) are actively managed within the Group, in stressed market conditions adverse movements in these would result in a material charge to the Group’s profit and loss account.

## 2 Conduct risks

**The Group is exposed to various forms of conduct risk in its operations, including the risk of misselling financial products, mishandling of complaints, business planning and strategy not being based upon customer need and processes and not supporting fair customer outcomes, and engaging in conduct which disrupts the fair and effective operation of a market in which it is active, any of which could have a material adverse effect on the Group’s results or its relations with its customers and regulators.**

The Group is exposed to various forms of conduct risk in its operations. Such risks are inherent in banking services. These include business and strategic planning that does not consider customer need (leading to products being offered beyond target markets and misselling of financial products), ineffective management and monitoring of products and their distribution (which could result in customers receiving poor outcomes), a culture that is not customer-centric (potentially driving improper decision making and unfair outcomes for customers), outsourcing of customer service and product delivery via third parties that do not have the same level of control, oversight and culture as the Group (resulting in poor customer outcomes which could lead to reputational damage and regulatory investigations), the possibility of alleged misselling of financial products or the mishandling of complaints related to the sale of such products (which could require amendments to sales processes, withdrawal of products or the provision of restitution to affected customers, all of which may require additional provisions in the Group’s financial accounts), poor governance of colleagues incentives and rewards and approval of schemes which drive poor customer outcomes. These can lead to remediation and regulatory intervention/enforcement and ineffective management and oversight of legacy conduct issues that result in customers who are undergoing remediation being poorly treated, and therefore further rectification being required. The Group is also exposed to the risk of engaging in conduct which disrupts the fair and effective operation of a market in which it is active.

The Group has implemented a number of policies in order to help mitigate against these risks. The Group’s Conduct Strategy ensures that business strategies within the Group are reviewed to ensure they reflect customer impacts and the mitigation of conduct risks. This is also aided by the Group’s Product Governance framework which ensures that products offered by the Group provide customers with fair value, meet the needs of the relevant target market throughout their life cycle and are distributed to customers appropriately. The Group has also prioritised activity to reinforce good conduct in its engagement with the markets in which it operates, together with the development of preventative and detective controls in order to be able to demonstrate this. Nonetheless, no assurance can be given that the strategy and framework will be effective and will not have an adverse effect on the Group’s results of operations, financial condition or prospects.

## 3 Regulatory and legal risks

### ***3.1 The Group and its businesses are subject to substantial regulation, and regulatory and framework oversight. Adverse legal or regulatory developments could have a significant material adverse effect on the Group’s results of operations, financial condition or prospects.***

The Group and its businesses are subject to ongoing regulation and associated regulatory risks, as well as the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in the UK, the European Union and the other markets in which the Group operates.

These laws and regulations include (i) prudential regulatory developments, (ii) increased regulatory oversight, particularly in respect of conduct issues, and (iii) industry-wide initiatives, each of which significantly affect

the way that the Group does business and can restrict the scope of its existing businesses, limit its ability to expand its product offerings or make its products and services more expensive for clients and customers.

Unfavourable developments across any of these areas, discussed in greater detail below, could materially affect the Group's ability to maintain appropriate liquidity, increase its funding costs, constrain the operation of its business and/or have a material adverse effect on the Group's business, results of operations and financial condition. Areas where these changes could have an adverse effect on the Group include, but are not limited to:

- (i) general changes in government, central bank or regulatory policy, or changes in regulatory regimes that may influence investor decisions in particular markets in which the Group operates, any of which may change the structure of those markets and the products offered or may increase the costs of doing business in those markets;
- (ii) external bodies applying or interpreting standards, laws or regulations differently to the Group;
- (iii) an uncertain and rapidly evolving prudential regulatory environment which could materially adversely affect the Group's ability to maintain liquidity and increase its funding costs;
- (iv) changes in competitive and pricing environments, including markets investigations, or one or more of the Group's regulators intervening to mandate the pricing of the Group's products, as a consumer protection measure;
- (v) one or more of the Group's regulators intervening to prevent or delay the launch of a product or service, or prohibiting an existing product or service;
- (vi) further requirements relating to financial reporting, corporate governance, corporate structure and conduct of business and employee compensation;
- (vii) expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership;
- (viii) changes to regulation and legislation relating to economic and trading sanctions, money laundering and terrorist financing; and
- (ix) regulatory changes which influence business strategy, particularly the rate of growth of the business, or which impose conditions on the sales and servicing of products, which have the effect of making such products unprofitable or unattractive to sell.

### **3.2 *The Group faces risks associated with an uncertain and rapidly evolving prudential and international legal and regulatory environment.***

The Group's borrowing costs and access to capital markets, as well as its ability to lend or carry out certain aspects of its business, could be affected by prudential regulatory developments, including: (i) the Financial Services (Banking Reform) Act 2013 (the "**Banking Reform Act**"); (ii) amendments to the EU legislation comprising the Capital Requirements Directive and the Capital Requirements Regulation ("**CRD IV**"), effective from 1 January 2014, or implementation of CRD IV in the UK under policy statement 07/13; and (iii) EU Directive 2014/59/EU establishing an EU-wide framework for the recovery and resolution of credit institutions and investment firms ("**BRRD**"), which was published in the Official Journal of the European Union on 12 June 2014 and became largely effective in the UK on 1 January 2015.

The Banking Reform Act received Royal Assent on 18 December 2013. The Act's measures contained (i) ring-fencing domestic retail banking services of UK banks, (ii) Her Majesty's Treasury ("**HM Treasury**") increasing UK banks' and building societies' loss-absorbing capacity and (iii) elevating the status covered by

the UK Financial Services Compensation Scheme (the “**FSCS**”) on a winding-up to rank ahead of the claims of all other unsecured creditors.

On 30 July 2014, the PRA and FCA published two joint consultation papers aimed at improving individual responsibility and accountability in the banking sector. These include:

- a new approval regime for the most senior individuals whose behaviour and decisions have the potential to harm customers;
- introducing new rules on remuneration to strengthen the alignment between long-term risk and reward in the banking sector; and
- a new set of Conduct Rules, which takes the form of brief statements of high level principles, setting out the standards of behaviour for bank employees.

The PRA and FCA aim to publish the final rules in the second quarter of 2015 and will come into force on 7 March 2016.

The Group contributes to compensation schemes such as the FSCS in respect of banks and other authorised financial services firms that are unable to meet their obligations to customers. Further provisions in respect of these costs are likely to be necessary in the future. The ultimate cost to the industry, which will also include the cost of any compensation payments made by the FSCS and, if necessary, the cost of meeting any shortfall after recoveries on the borrowings entered into by the FSCS, remains uncertain but may be significant and may have a material effect on the Group’s business, results of operations and financial condition.

In Europe, Directive 94/19/EC on Deposit Guarantee Schemes (the “**EU DGSD**”) required EU member states to introduce at least one deposit guarantee scheme by 1 July 1995. The EU DGSD was reviewed and a new legislative proposal was published by the European Commission in July 2010. The main changes proposed included: a tightened definition of deposits; a requirement that the deposit guarantee scheme repay customers within one week; and that banks must be able to provide information at any time. On 15 April 2014, the European Parliament adopted the Commission’s proposal for a revision of Directive 94/19/EC and on 12 June 2014, the new Directive was published in the Official Journal of the EU.

At the European level, following the report of the European Commission’s high-level expert group on banking structural reform chaired by Erkki Liikanen (the “**Liikanen Report**”), published in 2012, structural reform measures that are similar to some of those contained in the Banking Reform Act are also under consideration. In January 2014, the European Commission announced proposals to ban certain of the largest, most systemically important banks within the EU from proprietary trading and to grant national regulators the power to require the transfer of certain trading activities of these banks from the deposit-taking business to a separate legal entity.

Given the early stages of these proposed reform measures, it is difficult to predict how any of the above proposals will be implemented and what financial obligations may be imposed by the EU in relation thereto. However, depending on the specific nature of the requirements and how they are enforced, such changes could have a significant impact on the Group’s operations, business prospects, structure, costs and/or capital requirements.

In November 2014, the Financial Stability Board (“**FSB**”) set out the key parameters for Total Loss Absorbing Capacity (“**TLAC**”) at the G20 summit in Brisbane. These requirements will be applied to global systemically important banks (“**G-SIBs**”), with implementation by, it is proposed, 1 January 2019. The Group is not currently a G-SIB, therefore, under current proposals, TLAC requirements will not apply. In addition, the European Banking Authority (“**EBA**”) issued a consultation paper to implement a Minimum Requirement for Own Funds and Eligible Liabilities (“**MREL**”), which will apply to EU firms. These requirements will be

set by the PRA, however, the calibration for quantum of MREL requirements is currently unclear at this time. MREL will be implemented from 1 January 2016 using a phased approach with final implementation by 1 January 2019. The implementation of these requirements could have a significant impact on the Group's debt issuance strategy.

The Basel Committee on Banking Supervision (the “**Basel Committee**”) has approved significant changes to the previous framework, including new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions (such changes being commonly referred to as “**Basel III**”).

The Basel III changes refer to, amongst other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity (referred to respectively as the “**Liquidity Coverage Ratio**” and the “**Net Stable Funding Ratio**”). Basel III set an implementation deadline on member countries to implement the new capital standards from January 2013, the new Liquidity Coverage Ratio from January 2015 (though a delegated regulation, which has yet to come into force, states that the new Liquidity Coverage Ratio shall have a phased implementation from October 2015) and the Net Stable Funding Ratio from January 2018.

The Basel III reform package has been implemented in Europe through CRD IV, which was published in the Official Journal of the European Union on 27 June 2013. Full implementation began from 1 January 2014, with particular elements being phased in over a period of time, to be fully effective by 2024.

In December 2013, the PRA published the final statement of policy (PS 7/13, Strengthening capital standards: implementing CRD IV feedback and final rules), which sets out the PRA rules in order to implement CRD IV in the UK. The regulatory regime is expected to evolve as a result of further changes to CRD IV agreed by EU legislators, binding regulatory technical standards and guidelines to be developed by the EBA and changes to the way in which the PRA interprets and applies these requirements to UK banks. Ongoing reforms being considered by the regulatory authorities concern the calculation of risk-weighted assets for Credit Risk, Market Risk and Operational Risk under the ‘Internal Ratings Based’ and ‘Standardised’ approaches.

The existing and evolving prudential regulatory rules and how they are applied by the regulatory authorities may result in a need for further management actions to meet the changed requirements, such as: changes to how the Group and its businesses are capitalised and funded, distribution of capital, reducing weighted assets, modifying legal entity structure and changing the Group's business mix to strengthen the Group's capital position.

European Regulation 648/2012, known as the European Market Infrastructure Regulation (“**EMIR**”), introduces new requirements to improve transparency and reduce the risks associated with the derivatives market. EMIR came into force on 16 August 2012, although the main requirements are being progressively implemented through 2015. When it enters fully into force, EMIR will require entities that enter into any form of derivative contract, including interest rate, foreign exchange, equity, credit and commodity derivatives, to: report every derivative contract entered into to a trade repository; implement new risk management standards (including operational processes and margining) for all bilateral over-the-counter derivative trades that are not cleared by a central counterparty; and clear, through a central counterparty, over-the-counter derivatives that are subject to a mandatory clearing obligation. CRD IV aims to complement EMIR by applying higher capital requirements for bilateral, over-the-counter derivative trades. Lower capital requirements for cleared trades are only available if the central counterparty is recognised as a “qualifying central counterparty”, which has been authorised or recognised under EMIR (in accordance with related binding technical standards).

Significant regulatory initiatives from the U.S. impacting the Group include the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “**Dodd-Frank Act**”) which provides a broad framework for significant regulatory changes that extend to almost every area of U.S. financial regulation, and its implementing regulations. Although uncertainty remains about some of the final details, impact and timing of the Dodd-Frank Act’s implementing regulations, there will be additional costs and limitations on its business resulting from certain regulatory initiatives, including the final regulations implementing the Volcker Rule and the rules imposing registration and other requirements on entities that engage in derivatives activities.

The full impact of the derivative market regulations on the Group remains unclear, and could have a materially adverse effect on the Group’s results of operations, financial condition or prospects. In particular, the costs of complying with the regulations are expected to be burdensome, giving rise to additional expenses that may have an adverse impact on the Group’s financial condition. Additionally, such regulations could make it more difficult and expensive to conduct hedging and trading activities. As a result of these increased costs, the regulation of the derivative markets may also result in the Group deciding to reduce its activity in these markets.

The Group is continually assessing the impacts of legal and regulatory developments, including those described above, which could have an effect on the Group and participates in relevant consultation and calibration processes to be undertaken by the various regulatory and other bodies. Implementation of such regulatory developments could result in additional costs or limit or restrict the way that the Group conducts business, although uncertainty remains about the details, impact and timing of such reforms. The Group continues to work closely with regulatory authorities and industry associations to ensure that it is able to identify and respond to proposed regulatory changes and mitigate against risks to the Group and its stakeholders. For further information, see “*Lloyds Banking Group and Lloyds Bank – Regulation*”.

**3.3 *The Group and its UK subsidiaries may become subject to the provisions of the Banking Act 2009, as amended, in certain significant stress situations. The potential impact on the Group is inherently uncertain.***

Under the Banking Act 2009, as amended, (the “**Banking Act**”), substantial powers have been granted to HM Treasury, the Bank of England and the PRA and FCA as successors to the United Kingdom Financial Services Authority (the “**FSA**”, and together with the PRA and FCA, the “**Authorities**”) as part of the special resolution regime (the “**SRR**”). These powers enable the Authorities to deal with and stabilise UK-incorporated institutions with permission to accept deposits pursuant to Part 4A of the Financial Services and Markets Act 2000 (the “**FSMA**”) that are failing or are likely to fail to satisfy the threshold conditions (within the meaning of section 55B of the FSMA). The SRR consists of five stabilisation options: (i) transfer of all or part of the business of the relevant entity or the shares of the relevant entity to a private sector purchaser; (ii) transfer of all or part of the business of the relevant entity to a “bridge bank” established and wholly-owned by the Bank of England; (iii) transfer all or part of the relevant entity or “bridge bank” to an asset management vehicle; (iv) making of one or more resolution instruments by the Bank of England; and (v) temporary public ownership of the relevant entity. HM Treasury may also take a parent company of a relevant entity into temporary public ownership where certain conditions are met. The SRR also provides for two new insolvency and administration procedures for relevant entities. Certain ancillary powers include the power to modify certain contractual arrangements in certain circumstances.

The final text of the BRRD, establishing a framework for the prevention, management and resolution of failing banks, was published in the Official Journal of the European Union on 12 June 2014 and entered into force on 2 July 2014, with Member States required to adopt necessary implementing measures under national law by no later than 31 December 2014. In the UK, the Banking Reform Act made provision for certain aspects of the ‘bail-in’ power and further legislation was enacted during 2014 in order to give full effect to the



majority of the provisions of BRRD from 1 January 2015. Bail-in is expected to apply to all of the Group's unsecured senior and subordinated debt instruments with a remaining maturity of greater than seven days.

The stated aim of the BRRD is to provide authorities designated by Member States to apply the resolution tools and exercise the resolution powers set forth in the BRRD (the “**resolution authorities**”) with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. The powers granted to resolution authorities under the BRRD include (but are not limited to): (i) a ‘write-down and conversion power’ relating to Tier 1 and Tier 2 capital instruments and (ii) a ‘bail-in’ power relating to eligible liabilities (including the senior debt securities issued by the Group). Such powers give resolution authorities the ability to write down or write off all or a portion of the claims of certain unsecured creditors of a failing institution or group and/or to convert certain debt claims into another security, including ordinary shares of the surviving Group entity, if any. Such resulting ordinary shares may also be subject to write down or write off. Such powers were implemented in the UK with effect from 1 January 2015.

The conditions for use of the bail-in power are, in summary, that: (i) the regulator determines that the bank is failing or likely to fail, (ii) having regard to timing and other relevant circumstances, it is not reasonably likely that (ignoring the stabilisation powers) action will be taken by or in respect of the bank to avoid the failure of the bank, (iii) the relevant UK resolution authority determines that it is necessary having regard to the public interest to exercise the bail-in power in the advancement of one of the statutory objectives of resolution and (iv) one or more of those objectives would not be met to the same extent by the winding up of the bank. The BRRD, as implemented, contains certain other limited safeguards for creditors in specific circumstances which (a) in the case of the write-down and conversion power, may provide compensation to holders of the relevant capital instruments via the issue or transfer of ordinary shares of the bank or its parent undertaking in certain circumstances and (b) in the case of senior creditors, aim to ensure that they do not incur greater losses than they would have incurred had the relevant financial institution been wound up under normal insolvency proceedings.

In addition to the BRRD described above, it is possible that the exercise of other powers under the Banking Act to resolve failing banks in the United Kingdom and give the authorities powers to override events of default or termination rights that might be invoked as a result of the exercise of the resolution powers could have a material adverse effect on the rights of holders of the equity and debt securities issued by the Group, including through a material adverse effect on the price of such securities. The Banking Act also gives the Bank of England the power to override, vary or impose contractual obligations between a UK bank, its holding company and its group undertakings for reasonable consideration, in order to enable any transferee or successor bank to operate effectively. There is also power for HM Treasury to amend the law (excluding provisions made by or under the Banking Act) for the purpose of enabling it to use the regime powers effectively, potentially with retrospective effect. In addition, the Banking Act may be further amended and/or other legislation may be introduced in the United Kingdom to amend the resolution regime that would apply in the event of a bank failure or to provide regulators with other resolution powers.

Finally, the determination that securities issued by the Group will be subject to write-down, conversion or bail-in is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the Group's control. This determination will also be made by the relevant UK resolution authority and there may be many factors, including factors not directly related to the bank or the Group, which could result in such a determination. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of a bail-in power may occur which would result in a principal write off or conversion to other securities, including equity. Moreover, as the criteria that the relevant UK resolution authority will be obliged to consider in exercising any bail-in power provide it with considerable discretion, holders of the securities issued by the Group may not be able to refer to publicly available criteria in order to anticipate a potential

exercise of any such power and consequently its potential effect on the Group and the securities issued by the Group. Potential investors in the securities issued by the Group should consider the risk that a holder may lose all of its investment, including the principal amount plus any accrued interest, if such statutory loss absorption measures are acted upon.

### **3.4 *The Group faces risks associated with its compliance with a wide range of laws and regulations.***

The Group is exposed to various forms of legal and regulatory risk, including:

- (i) certain aspects of the Group's activities and business may be determined by the relevant authorities, the Financial Ombudsman Service (the "FOS") or the courts not to have been conducted in accordance with applicable laws or regulations, or, in the case of the FOS, with what is fair and reasonable in the Ombudsman's opinion;
- (ii) the possibility of alleged misselling of financial products or the mishandling of complaints related to the sale of such products by or attributed to a member of the Group, resulting in disciplinary action or requirements to amend sales processes, withdraw products, or provide restitution to affected customers, all of which may require additional provisions;
- (iii) contractual obligations may either not be enforceable as intended or may be enforced against the Group in an adverse way;
- (iv) the intellectual property of the Group (such as trade names) may not be adequately protected;
- (v) the Group may be liable for damages to third parties harmed by the conduct of its business;
- (vi) the risk of regulatory proceedings and private litigation, arising out of regulatory investigations or otherwise (brought by individuals or groups of plaintiffs) in the UK and other jurisdictions; and
- (vii) the transfer of responsibility for regulating consumer credit from the OFT to the FCA. The FCA's approach will focus on higher risk firms, and will have its own enforcement actions. The FCA's consumer credit sourcebook ("CONC") will be its basis for compliance and enforcement. Additionally, the Group is subject to the Consumer Credit Act 1974 (the "CCA"), which regulates a wide range of credit agreements and, since 1 April 2014, is enforced by the FCA. If requirements under the CCA as to licensing of lenders or brokers or entering into and documenting a credit agreement are not, or have not been met, the relevant agreement may not be enforceable against the borrower.

Regulatory and legal actions pose a number of risks to the Group, including substantial monetary damages or fines, the amounts of which are difficult to predict and may exceed the amount of provisions set aside to cover such risks. In addition, including as a result of regulatory actions, the Group may be subject to other penalties and injunctive relief, civil or private litigation arising out of a regulatory investigation or otherwise, the potential for criminal prosecution in certain circumstances and regulatory restrictions on the Group's business, all of which can have a negative effect on the Group's reputation. Any of these risks could have an adverse impact on the Group's operations, financial results and condition and prospects and the confidence of customers in the Group, as well as taking a significant amount of management time and resources away from the implementation of the Group's strategy.

The Group's operations also expose it to various forms of reputational impacts. Negative public opinion can result from the actual or perceived manner in which the Group conducts its business activities, from the Group's financial performance, the level of direct and indirect government support, actual or perceived practices in the banking and financial industry, or allegations of misconduct. Negative public opinion may adversely affect the Group's ability to keep and attract customers, which may result in a material adverse effect on the Group's financial condition, results of operations and prospects. Negative public opinion

referenced in the media as “lack of trust” in banking can be impacted by actions of competitors across the industry as well as actions by the Group. Regaining the trust of customers and the public is a key objective of the Group.

The Group may settle litigation or regulatory proceedings prior to a final judgment or determination of liability to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when the Group believes that it has no liability or when the potential consequences of failing to prevail would be disproportionate to the costs of settlement. Furthermore, the Group may, for similar reasons, reimburse counterparties for their losses even in situations where the Group does not believe that it is legally compelled to do so. Failure to manage these risks adequately could materially affect the Group, both financially and reputationally.

**3.5 *The Group faces risks associated with the high level of scrutiny of the treatment of customers by financial institutions from regulatory bodies, the press and politicians.***

The Group’s operations, in particular related to its treatment of customers, are subject to supervision by the FCA and other regulatory authorities. In recent periods, the UK banking industry has been subject to heightened attention from these regulatory authorities, as well as the press and the UK Government. The FCA in particular continues to focus on conduct of business issues through its supervision activities and its establishment of a new Payment Systems Regulator. Other regulatory efforts include the implementation of the UK Mortgage Market Review, which now requires lenders to obtain evidence of borrowers’ income so as to ensure that they can afford a mortgage, with forecasted interest rate rises. The Bank of England is currently putting into place limitations on the ability of lenders to provide high loan-to-income mortgages. Increased scrutiny or regulatory development in these areas could materially affect the Group’s operation of its business and/or have a material adverse effect on the Group’s business, results of operations and financial condition.

**3.6 *The financial impact of legal proceedings and regulatory risks might be material but is difficult to quantify. Amounts eventually paid may materially exceed the amount of provisions set aside to cover such risks, or existing provisions may need to be materially increased in response to changing circumstances, as has been the case recently in respect of payment protection insurance (“PPI”) redress payments.***

Where provisions have already been taken in published financial statements of the Group or results announcements for ongoing legal or regulatory matters, these have been recognised, in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, as the best estimate of the expenditure required to settle the obligation as at the reporting date. Such estimates are inherently uncertain and it is possible that the eventual outcomes may differ materially from current estimates, resulting in future increases or decreases to the required provisions, or actual losses that exceed or fall short of the provisions taken.

For example, the Group made provisions totalling £9,825 million between 2010 and 2013 against the costs of paying redress to customers in respect of past sales of PPI policies, including the related administrative expenses. However, in the year ended 31 December 2014, the Group made a further provision of £2,200 million, bringing the total provisions raised to 31 December 2014 to £12,025 million, of which approximately £2,520 million relates to anticipated administrative expenses, and £2,549 million remained unutilised as of that date. While the revised provision represents management’s best estimate of the likely overall cost of making redress to PPI customers, a number of material risks and uncertainties remain. The actual cost could differ materially from management’s estimate and could result in further, potentially significant, provisions being required. Such an increase could have an adverse impact on the Group’s financial condition and results of operations.

Provisions have not been taken where no obligation (as defined in IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”) has been established, whether associated with a known or potential future litigation

or regulatory matter. Accordingly, an adverse decision in any such matters could result in significant losses to the Group which have not been provided for. Such losses would have an adverse impact on the Group's financial condition and operations.

## **4 Business and economic risks**

### **4.1 *The Group's businesses are subject to inherent risks arising from general macro-economic conditions in the UK, the Eurozone and other markets, the instability of the financial markets and the sovereign debt crisis.***

The Group's businesses are subject to inherent risks arising from general and sector-specific economic conditions in the markets in which it operates, particularly the UK, in which the Group's earnings are predominantly generated and in which the Group's operations are increasingly concentrated following the strategic reduction of its international presence. The Group may have credit exposure outside the UK even if it does not have a presence in such countries. Although economic indicators in the UK have improved recently, any significant macro-economic deterioration in the UK and/or other economies in which the Group operates or has legacy business, such as the Republic of Ireland and the United States, could have a material adverse effect on the results of operations, financial condition or prospects of the Group. Additionally, the profitability of the Group's businesses could be affected by market factors such as unemployment, which remains above pre-crisis levels despite falling sharply and which may continue even following the return to economic growth of certain parts of the markets in which the Group operates. Lack of continued growth, or reduced economic growth, in the UK, changes in interest rates (and the timing, quantum and pace of those changes), still high unemployment in the UK or elsewhere, reduced corporate profitability, reduced personal income levels, reduced UK Government and/or consumer expenditure, increased personal or corporate and SME insolvency rates, increased tenant defaults or increased interest rates may reduce borrowers' ability to repay loans and may cause prices of residential or commercial real estate or other asset prices to fall further, thereby reducing the collateral value on many of the Group's assets. These, in turn, could cause increased impairments and/or fair value adjustments.

In addition to the possibility of macro-economic deterioration, particularly in the Eurozone, any increase of financial market instability may represent further risk to the Group's business. The outlook for global growth remains uncertain due to issues such as geopolitical tensions, i.e. fallout from Ukraine/Russia, Middle Eastern instability and growth levels in Asia, India and China. The Group has significant exposures, particularly by way of loans, in a number of overseas jurisdictions, notably the Republic of Ireland and the United States, and is therefore subject to various risks relating to the stability of these financial markets. The global financial system has suffered considerable turbulence and uncertainty in recent years and, despite recent growth in the United Kingdom and United States, the outlook for the global economy over the near to medium term remains challenging.

In the Eurozone, the economic recovery has failed to gather momentum, after exiting recession. Weak growth and deflationary pressures, together with high levels of private and public debt, outstanding weaknesses in the financial sector and reform fatigue, remain a concern, despite improved financial market conditions. The possibility of prolonged low growth in the Eurozone could stall the UK's own economic recovery, given the extensive economic and financial linkages between the UK and the Eurozone. The UK's trade and current account balances with the Eurozone would be likely to deteriorate further, negatively affecting UK growth. Moreover, the negotiations between Greece and the Troika of creditors (IMF, ECB, and European Commission) raise the risks of renewed market turmoil and Greece's exit from the Eurozone. In addition, developing macro-economic uncertainty in markets in China and throughout Asia and other markets could pose threats to global economic recovery. Financial markets may experience renewed periods of volatility,

especially given the recent sharp fall in oil prices, with a return of a risk of contagion, which may place new strains on funding markets.

The Group has credit exposure to SMEs and corporates, financial institutions and securities which may have material direct and indirect exposures in the Eurozone countries and other international countries. With the exception of the Group's lending exposures in the Republic of Ireland, its direct credit exposure to the Eurozone through sovereign and private sector exposure is relatively small and has been managed steadily downward since 2008.

Nonetheless, any default on the sovereign debt of these countries and the resulting impact on other Eurozone countries, including the potential that some countries could leave the Eurozone, could have a material adverse effect on the Group's business. The exit of a member state from the European Monetary Union (the "EMU") could result in deterioration in the economic and financial environment in the UK and Eurozone that would materially affect the capital and the funding position of participants in the banking industry, including the Group. This could also give rise to operational disruptions to the Group's business.

The effects on the European and global economy of the exit of one or more European Union Member States from the EMU or the redenomination of financial instruments from the Euro to a different currency, are impossible to predict and protect fully against in view of (i) economic and financial instability in the Eurozone, (ii) the severity of the recent global financial crisis, (iii) difficulties in predicting whether the current signs of recovery will be sustained and at what rate, (iv) the uncertain legal position, and (v) the fact that many of the risks related to the business are totally, or in part, outside the control of the Group. However, if any such events were to occur, they would likely result in (a) significant market dislocation, (b) heightened counterparty risk, (c) an adverse effect on the management of market risk and, in particular, asset and liability management due, in part, to redenomination of financial assets and liabilities, or (d) a material adverse effect on the results of operations, financial condition or prospects of the Group. Any adverse changes affecting the economies of the countries in which the Group has significant direct and indirect credit exposures, including those discussed above and any further deterioration in global macro-economic conditions, could have a material adverse effect on the Group's results of operations, financial condition or prospects.

**4.2 *Any tightening of monetary policy in jurisdictions in which the Group operates could affect the financial condition of its customers, clients and counterparties, including governments and other financial institutions, which could in turn adversely affect the Group's results of operations.***

It is currently expected that some major central banks, including in the United States and the UK, will begin to raise their policy interest rates within the coming one to two years as their economies continue to recover from the financial crisis. Monetary policy has been highly accommodative in recent years, including the Bank of England and HM Treasury "Funding for Lending" scheme and the "Help to Buy" programme in the UK, which have helped to support demand at a time of very pronounced fiscal tightening and balance sheet repair. Such a long period of stimulus has increased uncertainty over the impact of its reduction, including the possibility of a withdrawal of such programmes which could lead to generally weaker than expected growth, or even contracting GDP, reduced business confidence, higher levels of unemployment or underemployment, adverse changes to levels of inflation, potentially higher interest rates and falling property prices in the markets in which the Group operates, and consequently to an increase in delinquency rates and default rates among customers. Similar risks result from the exceptionally low level of inflation in developed economies, which in Europe particularly could deteriorate into sustained deflation if policy measures prove ineffective. Reduced monetary stimulus and the actions and commercial soundness of other financial institutions have the potential to impact market liquidity. The adverse impact on the credit quality of the Group's customers and counterparties, coupled with a decline in collateral values, could lead to a reduction in recoverability and value of the Group's assets and higher levels of impairment allowances, which could have an adverse effect on the Group's operations, financial condition or prospects. The Group has credit exposure to SMEs and

corporate financial institutions, and securities which may have material direct and indirect exposures in the Eurozone countries. Any default on the sovereign debt of these countries and the resulting impact on other Eurozone countries, including the potential that some countries could leave the Eurozone, could have a material adverse effect on the Group's business.

**4.3 *The Group's businesses are inherently subject to the risk of market fluctuations, which could have a material adverse effect on the results of operations, financial condition or prospects of the Group.***

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

Market movements will continue to have a significant impact on the Group in a number of key areas. For example, adverse market movements have had and would have an adverse effect, which could be material, upon the financial condition of the defined benefit pension schemes of the Group. The schemes' main exposures are to real rate risk and credit spread risk. These risks arise from two main sources: the "AA" corporate bond liability discount rate and asset holdings. Banking and trading activities that are undertaken by the Group are subject to interest rate risk, foreign exchange risk, inflation risk and credit spread risk. For example, changes in interest rate levels, interbank margins over official rates, yield curves and spreads affect the interest rate margin realised between lending and borrowing costs. The potential for future volatility and margin changes remains. Competitive pressures on fixed rates or product terms in existing loans and deposits may restrict the Group in its ability to change interest rates applying to customers in response to changes in official and wholesale market rates.

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

Changes in foreign exchange rates, including U.S. dollars and the Euro, affect the Group's financial position and/or forecasted earnings. The Group's Finance function has an active hedging programme to minimise the exposure arising from net foreign currency assets and forecasted foreign currency net profits.

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

The Group has material exposures to securities and other investments, including asset-backed securities, structured investments and private equity investments that are recorded by the Group at fair value. These have been and may be subject to further negative fair value adjustments, particularly in view of the volatile global markets and challenging economic environment. Although CVA/DVA/FVA is actively managed within the

Group, in stressed market conditions adverse movements in these could result in a material charge to the Group's profit and loss account.

In addition, in volatile markets, hedging and other risk management strategies may not be as effective as they are in normal market conditions, due in part to the decreasing credit quality of hedge counterparties. Asset valuations in future periods, reflecting prevailing market conditions, may result in further negative changes in the fair values of the Group's financial assets and these may also translate into increased impairment charges.

In addition, the value ultimately realised by the Group for its securities and other investments may be lower than their current fair value. Any of these factors could require the Group to record further negative fair value adjustments, which may have a material adverse effect on its operating results, financial condition or prospects. Material losses from the fair value of financial assets will also have an adverse impact on the Group's capital ratios. The Group has, in prior years, made asset redesignations as permitted by amendments to IAS 39 (Financial Instruments: "Recognition and Measurement").

The effect of such redesignations has been, and would be, that any effect on the income statement of movements in the fair value of such redesignated assets that have occurred since 1 July 2008, in the case of assets redesignated prior to 1 November 2008, or which may occur in the future, may not be recognised until such time as the assets become impaired or are disposed of. No asset redesignations were made in 2014. In addition, in circumstances where fair values are determined using financial valuation models, the Group's valuation methodologies may require it to make assumptions, judgements and estimates in order to establish fair value. These valuation models are complex and the assumptions used are difficult to make and are inherently uncertain, particularly in light of the uncertainty as to the strength of any global economic recovery and continuing downside risks and during periods of market volatility and illiquidity, and any consequential impairments or write-downs could have a material adverse effect on the Group's operating results, capital ratios, financial condition or prospects.

In July 2014, the International Accounting Standards Board (the "IASB") published a new accounting standard for financial instruments (IFRS 9) that will introduce a new model for recognising and measuring impairment based on expected credit losses, rather than an incurred loss model currently applied under IAS 39 (Financial Instruments: "Recognition and Measurement"). The new standard is expected to become effective for annual periods beginning on or after 1 January 2018.

**4.5 *The Group's businesses are conducted in competitive environments, with increased competition scrutiny, and the Group's financial performance depends upon management's ability to respond effectively to competitive pressures.***

The markets for UK financial services, and the other markets within which the Group operates, are competitive, and management expects such competition to continue or intensify in response to competitor behaviour, new entrants to the market, including non-traditional financial services providers, consumer demand, technological changes such as the growth of digital banking, and the impact of regulatory actions and other factors. The Group's financial performance and its ability to maintain or capture additional market share depends significantly upon the competitive environment and management's response thereto.

Intervention by the UK Government competition authorities and/or European regulatory bodies and/or governments of other countries in which the Group operates, including in response to any perceived lack of competition within these markets by such regulatory authorities, may significantly impact the competitive position of the Group relative to its international competitors, which may be subject to different forms of government intervention, thus potentially putting the Group at a competitive disadvantage.

The Competition and Markets Authority (the "CMA") launched a full market investigation into competition in the SME banking and personal current account markets in November 2014. This, combined with recent political debate on the reform of the UK banking markets, other current or potential competition reviews, the

new payment systems regulator and the new FCA statutory objective to promote competition, along with concurrent competition powers from April 2015, may lead to proposals or initiatives impacting the Group to reduce competition concerns, and greater UK government and regulatory scrutiny in the future. Additionally, the Group may be affected by changes in regulatory oversight following the pension review recommended by the Department for Work and Pensions. For more information on the Group's regulatory environment, see "*Lloyds Banking Group and Lloyds Bank – Regulation – Competition Regulation*".

The internet and mobile technologies are changing customer behaviour and the competitive environment. There has been a steep rise in customer use of mobile banking over the last three years. The Group faces competition from established providers of financial services as well as the threat of competition from banking business developed by non-financial companies, including technology companies, with strong brand recognition including technology companies.

As a result of any restructuring or evolution in the market, there may emerge one or more new viable competitors in the UK banking market or a material strengthening of one or more of the Group's existing competitors in that market. Any of these factors or a combination thereof could result in a significant reduction in the profit of the Group.

## **5 Operational risks**

### **5.1 *The Group could fail to attract or retain senior management or other key employees.***

The Group's success depends on its ability to attract, retain and develop high calibre talent. Achievement of this aim may be impacted by the pending introduction of the new Senior Managers Regime and Certification Regime which will come into force in March 2016. The new Framework is anticipated to include a criminal offence of reckless misconduct, reverse burden of proof and increasing use of senior management attestation. In addition, the proposed limits on variable pay and "clawback" requirements which were introduced pursuant to CRD IV in the UK may put the Group at a competitive disadvantage as compared to companies who are not subject to such restrictions. In addition, macro-economic conditions and negative media attention on the financial services industry may adversely impact employee retention, colleague sentiment and engagement.

Failure to attract and retain senior management and key employees could have a material adverse effect on the Group's results of operations, financial condition or prospects.

### **5.2 *Operational risks such as weaknesses*** or failures in the Group's processes, systems and security and risks due to reliance on third party services and products could materially adversely affect the Group's operations, financial condition or prospects, and could result in the reputational damage of the Group.

Operational risks, through inadequate or failed processes, systems (including financial reporting and risk monitoring processes) or security, or from people-related or external events, including the risk of fraud and other criminal acts carried out against the Group, are present in the Group's businesses. The Group's businesses are dependent on processing and reporting accurately and efficiently a high volume of complex transactions across numerous and diverse products and services, in different currencies and subject to a number of different legal and regulatory regimes. Any weakness or errors in these processes, systems or security could have an adverse effect on the Group's results, reporting of such results, and on the ability to deliver appropriate customer outcomes during the affected period which may lead to an increase in complaints and damage to the reputation of the Group.

Specifically, failure to develop, deliver or maintain effective IT solutions could have a material adverse impact on customer service. Any prolonged loss of service availability could damage the Group's ability to service its customers, could result in compensation costs and could cause long-term damage to the Group's business and brand. Furthermore, failure to protect the Group's operations from increasingly sophisticated



cyber-attacks could result in the loss of customer data or other sensitive information, see the section entitled “*The Company’s business is subject to risks related to cyber crime*”. The resilience of the Group’s IT is of paramount importance to the Group; accordingly, significant investment has been, and will continue to be, made in IT infrastructure and supporting capabilities to ensure its resilience and subsequently the delivery of services to customers. The Group continues to invest in IT and information security control environments, including activity on user access management and records management to address evolving threats. The Group maintains contingency plans for a range of Group specific and industry-wide IT and breach of security scenarios. The Group’s Board is redefining the Group’s Cyber Risk Appetite and is supporting incremental investment to help mitigate this risk.

The Group adopts a risk-based approach to mitigate the external fraud risks it faces, reflecting the current and emerging external fraud risks within the market. This approach drives an annual programme of enhancements to the Group’s technology, process and people-related controls, with an emphasis on preventative controls supported by real-time detective controls wherever feasible. Through Group-wide policies and operational control frameworks, the Group has developed a robust fraud operating model with centralised accountability. The Group’s fraud awareness programme remains a key component of its fraud control environment. Although the Group devotes significant resources to maintain and regularly update its processes and systems that are designed to protect the security of the Group’s systems, software, networks and other technology assets, there is no assurance that all of the Group’s security measures will provide absolute security. Any damage to the Group’s reputation (including to customer confidence) arising from actual or perceived inadequacies, weaknesses or failures in Group systems, processes or security could have a material adverse effect on the Group’s results of operations, financial condition or prospects.

Third parties upon which the Group relies for important products and services could also be sources of operational risk, specifically with regard to security breaches affecting such parties. Many of the operational risks described above also apply when the Group relies on outside suppliers or vendors to provide key components of its business infrastructure. The Group may be required to take steps to protect the integrity of its operational systems, thereby increasing its operational costs. Additionally, any problems caused by these third parties, including as a result of their not providing the Group their services for any reason, their performing their services poorly, or employee misconduct, could adversely affect the Group’s ability to deliver products and services to customers and otherwise to conduct business. Replacing these third party vendors could also entail significant delays and expense.

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

### **5.3 *The Company’s business is subject to risks related to cyber crime.***

The Group relies on the effectiveness of its Group Information and Cyber Security policy and associated procedures, infrastructure and capabilities to protect the confidentiality, integrity and availability of information held on its computer systems, networks and mobile devices and on the computer systems, networks and mobile devices of third parties on whom the Company relies. The Group also takes protective measures to protect itself from attacks designed to prevent the delivery of critical business processes to its customers. Despite preventative measures, the Group’s computer systems, software, networks and mobile devices, and those of third parties on whom the Group relies, may be vulnerable to cyber-attacks, sabotage, unauthorised access, computer viruses, worms or other malicious code, and other events that have a security impact. Such an event may impact the confidentiality of the Group’s or its clients’, employees’ or counterparties’ information or the availability of services to customers. As a result, the Group could experience material financial loss, loss of competitive position, regulatory actions, breach of client contracts,

reputational harm or legal liability, which, in turn, could cause a decline in the Group's earnings. The Group may be required to spend additional resources to modify its protective measures or to investigate and remediate vulnerabilities or other exposures, and it may be subject to litigation and financial losses that are either not insured against fully or not fully covered through any insurance that it maintains. Any failure in the Group's cyber security policies, procedures or capabilities, or cyber-related crime, could lead to the Group suffering reputational damage and a loss of clients and could have a material adverse effect on the Group's results of operations, financial condition or prospects.

**5.4 *Terrorist acts, other acts of war, geopolitical events, pandemics or other such events could have a material adverse effect on the Group's results of operations, financial condition or prospects.***

Terrorist acts, other acts of war or hostility, geopolitical events, pandemics or other such events and responses to those acts/events may create economic and political uncertainties, which could have a material adverse effect on UK and international macro-economic conditions generally, and more specifically on the Group's results of operations, financial condition or prospects in ways that cannot necessarily be predicted.

**5.5 *TSB servicing requirements may adversely impact the Group.***

As part of the divestment of TSB, the Group has committed to providing certain ongoing services to TSB, which may result in reputational and financial exposure for the Group in the course of providing such services. For example, TSB relies on the Group for the provision of its IT systems and supporting infrastructure as well as related services. However, the on-going provision of services to TSB under these plans may involve significant demands on the attention of the Group's senior management, in particular in respect of managing the conflict of interests, confidentiality of data, and competition issues as a part of providing services to a competitor bank, which fall under the regulatory remit of the Group's regulators. If these arrangements do not operate as planned, there could be negative impacts on the operation of the Group's business. In addition, the Group has made financial commitments to support any planned move by TSB to an alternative provider of IT systems and infrastructure.

The Group's financial condition may also be exposed to risk with respect to the control, management and results of operations of TSB. As at 27 February 2015 the Group retains partial ownership of TSB and further divestment is expected to occur in multiple stages. Therefore, the Group's financial condition is partially reliant on TSB's operational performance during the period prior to full divestment. The Group does not control TSB's board, nor manage the operations of TSB or control its management. The board of TSB may:

- (i) have economic or business interests or goals that are inconsistent with or are opposed to those of the Group, in particular related to its retail banking activities in the UK;
- (ii) take action contrary to the Group's policies or objectives with respect to its investments or commercial arrangements; or
- (iii) fail to comply with applicable regulatory regimes, or to operate in compliance with other standards that the Group applies in its own operations.

For risks related to the Restructuring Plan and the Group's divestment of TSB, or the failure of the Group to fully divest of its remaining interest in TSB, see section entitled "*Risk Factors – Government related risks—The Group is subject to European state aid obligations following the approval of a Restructuring Plan in 2009. The implementation of the Restructuring Plan may have consequences that are materially adverse to the interests of the Group*".

**5.6 *The Group must comply with anti-money laundering, anti-bribery and sanctions regulations, and a failure to prevent or detect any illegal or improper activities fully or on a timely basis could expose it to liability.***

The Group is required to comply with applicable anti-money laundering, anti-terrorism, sanctions, anti-bribery and other laws and regulations in the jurisdictions in which it operates. These laws and regulations require the Group, amongst other things, to adopt and enforce “know-your-customer” policies and procedures and to report suspicions of money laundering and in some countries specific transactions to the applicable regulatory authorities. These laws and regulations have become increasingly complex and detailed, require improved systems and sophisticated monitoring and compliance personnel, and have become the subject of enhanced government and regulatory supervision.

The Group has adopted policies and enhanced its procedures aimed at detecting and preventing the use of its banking network and services for money laundering and related activities, applying systems and controls on a risk-based approach throughout its businesses and operations. These controls, however, may not completely eliminate instances where third parties seek to use the Group’s products and services to engage in money laundering and other illegal or improper activities. In addition, while the Group reviews its relevant counterparties’ internal policies and procedures with respect to such matters, the Group, to a large degree, relies upon its relevant counterparties to maintain and properly apply their own appropriate anti-money laundering procedures. Such measures, procedures and compliance may not be completely effective in preventing third parties from using the Group (and its relevant counterparties) as a conduit for money laundering (including illegal cash operations) without the Group’s (and its relevant counterparties’) knowledge. If the Group is associated with, or even accused of being associated with, or becomes a party to, money laundering, then the Group’s reputation could suffer and/or it could become subject to fines, sanctions and/or legal enforcement (including being added to any “black lists” that would prohibit certain parties from engaging in transactions with the Group), any one of which could have a material adverse effect on the Group’s operating results, financial condition and prospects.

To the extent that the Group fails to comply fully with applicable laws and regulations, the relevant government and regulatory agencies to which it reports have the power and authority to impose fines and other penalties on the Group, including the revocation of licences. In addition, the Group’s business and reputation could suffer if customers use its banking network for money laundering or illegal or improper purposes.

**5.7 *The Group may fail to execute its ongoing strategic change initiatives, and the expected benefits of such initiatives may not be achieved at the time or to the extent expected, or at all.***

The Group has a number of strategic initiatives which it pursues on an ongoing basis. For example, the Group has a programme for reducing costs, improving efficiency and financial performance, and enhancing the overall customer experience by simplifying and reshaping the Group’s businesses. As the Group moves into the second phase of this strategy there is considerable focus on digitisation and ensuring the Group meets customer demands through digital and mobile platforms. This approach will support the Group in achieving its cost targets.

The successful completion of the programme and the Group’s other strategic initiatives requires ongoing subjective and complex judgements, including forecasts of economic conditions in various parts of the world, and can be subject to significant execution risks. For example, the Group’s ability to execute its strategic initiatives successfully may be adversely impacted by a significant global macro-economic downturn, legacy issues, limitations in the Group’s management or operational capacity or significant and unexpected regulatory change in countries in which the Group operates.

Failure to execute the Group's strategic initiatives successfully could have an adverse effect on the Group's ability to achieve the stated targets and other expected benefits of these initiatives, and there is also a risk that the costs associated with implementing such initiatives may be higher than the financial benefits expected to be achieved, which could materially adversely impact the Group's operations, financial condition and prospects.

**5.8 *The Group could be exposed to industrial action and increased labour costs resulting from a lack of agreement with trade unions.***

Within the Group, there are currently four recognised unions for the purposes of collective bargaining. Combined, these collective bargaining arrangements apply to around 95 per cent. of the Group's total workforce. The Group estimates that approximately 60 to 70 per cent. of its employees are members of one of the recognised trade unions.

Where the Group or its employees or their unions seek to change any of their contractual terms, a consultation and negotiation process is undertaken. Such a process could potentially lead to increased labour costs or, in the event that any such negotiations were to be unsuccessful and result in formal industrial action, the Group could experience a work stoppage that could materially adversely impact its business, financial condition and results of operations.

## **6 Financial soundness related risks**

**6.1 *The Group's businesses are subject to inherent risks concerning liquidity and funding, particularly if the availability of traditional sources of funding such as retail deposits or the access to wholesale funding markets becomes more limited.***

Liquidity and funding continues to remain a key area of focus for the Group and the industry as a whole. Like all major banks, the Group is dependent on confidence in the short- and long-term wholesale funding markets. Should the Group, due to exceptional circumstances, be unable to continue to source sustainable funding, its ability to fund its financial obligations could be impacted.

The Group's profitability or solvency could be adversely affected if access to liquidity and funding is constrained or made more expensive for a prolonged period of time. Under extreme and unforeseen circumstances, such as the closure of financial markets and uncertainty as to the ability of a significant number of firms to ensure they can meet their liabilities as they fall due, the Group's ability to meet its financial obligations as they fall due or to fulfil its commitments to lend could be impacted through limited access to liquidity (including government and central bank facilities). In such extreme circumstances, the Group may not be in a position to continue to operate without additional funding support, which it may be unable to access. These factors may have a material adverse effect on the Group's solvency, including its ability to meet its regulatory minimum liquidity requirements. These risks can be exacerbated by operational factors such as an over-reliance on a particular source of funding or changes in credit ratings, as well as market-wide phenomena such as market dislocation, regulatory change or major disasters.

In addition, corporate and institutional counterparties may seek to reduce aggregate credit exposures to the Group (or to all banks) which could increase the Group's cost of funding and limit its access to liquidity. The funding structure employed by the Group may also prove to be inefficient, thus giving rise to a level of funding cost where the cumulative costs are not sustainable over the longer term. The funding needs of the Group may increase and such increases may be material to the Group's operating results, financial condition or prospects. The Group relies on customer savings and transmission balances, as well as ongoing access to the global wholesale funding markets to meet its funding needs. The ability of the Group to gain access to wholesale and retail funding sources on satisfactory economic terms is subject to a number of factors outside its control, such as liquidity constraints, general market conditions, regulatory requirements, the encouraged

or mandated repatriation of deposits by foreign wholesale or central bank depositors and the level of confidence in the UK banking system, any of which could have a material adverse effect on the Group's profitability or, in the longer term and under extreme circumstances, its ability to meet its financial obligations as they fall due.

Medium-term growth in the Group's lending activities will depend, in part, on the availability of retail deposit funding on appropriate terms, for which there is increasing competition. For more information see "*Risk Factors - Business and economic risks – The Group's businesses are conducted in competitive environments, with increased competition scrutiny, and the Group's financial performance depends upon management's ability to respond effectively to competitive pressures*". This reliance has increased recently given the Group's reduction in wholesale funding. The ongoing availability of retail deposit funding on appropriate terms is dependent on a variety of factors outside the Group's control, such as general macro-economic conditions and market volatility, the confidence of retail depositors in the economy, the financial services industry and the Group, as well as the availability and extent of deposit guarantees. Increases in the cost of retail deposit funding will impact on the Group's margins and affect profit, and a lack of availability of retail deposit funding could have a material adverse effect on the Group's future growth.

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

If the wholesale funding markets were to suffer stress or central bank provision of liquidity to the financial markets is abruptly curtailed, or the Group's credit ratings are downgraded, it is likely that wholesale funding will prove more difficult to obtain. Such increased refinancing risk, in isolation or in concert with the related liquidity risks noted above, could have a material adverse effect on the Group's profitability and, in the longer term under extreme and unforeseen circumstances, its ability to meet its financial obligations as they fall due.

**6.2 *The Group's borrowing costs and access to the capital markets is dependent on a number of factors, including any reduction in the Group's longer-term credit rating, and increased costs or reduction in access could materially adversely affect the Group's results of operations, financial condition or prospects.***

A reduction in the credit rating of the Group or deterioration in the capital markets' perception of the Group's financial resilience could significantly increase its borrowing costs and limit its issuance capacity in the capital markets. As an indicator, during 2014 the spread between an index of "A" rated long-term senior unsecured bank debt and an index of similar "BBB" rated bank debt, both of which are publicly available, has averaged 37 basis points. The applicability to and implications for the Group's funding cost would depend on the type of issuance and prevailing market conditions. The impact on the Group's funding cost is subject to a number of assumptions and uncertainties and is therefore impossible to quantify precisely.

On 17 March 2015, as part of the announcement of a change of ratings methodology and consequent review of 1,934 rated banking entities, Moody's confirmed that it expected to downgrade the longer-term credit rating of 1,021 of those entities, including a two-notch downgrade of the longer-term credit rating of the Company. Moody's did not announce when it expected the downgrade to take effect.

Following the recent UK implementation of BRRD in the EU, S&P and Moody's have announced a review of the Group's ratings to reassess the likelihood of UK extraordinary government support. On 3 February 2015, Standard & Poor's lowered the long-term ratings on the two holding companies Lloyds Banking Group plc and HBOS plc by two notches to 'BBB'. The operating companies Lloyds Bank plc and Bank of Scotland plc continue to have long-term ratings of 'A' but have been placed on CreditWatch with negative implications. At

the same time Standard & Poor's announced that the holding companies of the Group have a positive outlook as they could revise upward the unsupported Group Credit Profile of Lloyds Banking Group. On 17 March 2015, Moody's announced rating actions affecting approximately 53 per cent. of banks globally and approximately 76 per cent. of European Banks due to the implementation of its new methodology and lower expectations about the likelihood of government support for European Banks in light of the introduction of the BRRD or similar resolution frameworks in Europe. Moody's stated that it provisionally expects to affirm both Lloyds Bank plc and Bank of Scotland plc at 'A1/P-1', downgrade Lloyds Banking Group plc to 'Baa1' from 'A2' and upgrade HBOS plc's senior ratings to 'A1/P-1' from 'A2/P-1'. Lloyds Bank plc is currently rated 'A/F1' by Fitch, but it is likely that they may review these ratings later in 2015, taking into account regulatory changes, particularly relating to Recovery and Resolution. Rating agencies regularly evaluate the Group and the Company, and their ratings of longer-term debt are based on a number of factors, including the Group's financial strength as well as factors not entirely within the Group's control, including conditions affecting the financial services industry generally. In light of the difficulties in the financial services industry and the financial markets, there can be no assurance that the Group or the Company will maintain its current ratings. Downgrades of the Group's longer-term credit rating could lead to additional collateral posting and cash outflow. As at 31 December 2014, a hypothetical instantaneous two notch downgrade of the Group's current long-term credit rating and accompanying short-term downgrade implemented simultaneously by all major rating agencies could result in an outflow of £2.5 billion of cash over a period of up to one year, £2.4 billion of collateral posting related to customer financial contracts and £8.6 billion of collateral posting associated with secured funding. Any reduction in the Group's longer-term credit rating may result in increased borrowing costs, a reduction in access to capital markets or a reduction in liquidity which could materially adversely affect the Group's results of operations, financial condition or prospects.

The Group's borrowing costs and access to capital markets could also be affected by various regulatory developments such as the Banking Reform Act, amendments to CRD IV and the coming into force of the BRRD.

The return required by bondholders (including holders of the Notes) may also rise if the prospects of bail-in scenarios become more likely which would increase the Group's funding costs. Unfavourable developments could materially adversely affect the Group's access to liquidity, increase its funding costs and, hence, have a material adverse effect on the Group's results of operations, financial condition or prospects.

### **6.3 *The Group is subject to the risk of having insufficient capital resources.***

If the Group has or is perceived to have a shortage of capital then it may be subject to regulatory interventions and sanctions and may suffer a loss of confidence in the market with the result that access to liquidity and funding may become constrained or more expensive. Depending on the extent of any actions to improve the capital position there could be a material adverse effect on the Group's business, including its operating results, financial condition and prospects. This, in turn, may affect the Group's capacity to continue its business operations, pay future dividends and make other distributions or pursue acquisitions or other strategic opportunities, impacting future growth potential. If, in response to such shortage, the Group raises additional capital through the issuance of share capital or capital instruments, existing shareholders or holders of debt of a capital nature may experience a dilution of their holdings. If a capital or debt instrument is converted to share capital as a result of a trigger within the contractual terms of the instrument or through the exercise of statutory powers then depending upon the terms of the conversion, existing shareholders may experience a dilution of their holdings. Separately the Group may address a shortage of capital by taking action to reduce leverage and/or risk-weighted assets, by modifying the Group's legal entity structure or by business disposals. Such actions may impact the underlying profitability of the Group.

A shortage of capital could arise from:

- a depletion of the Group's capital resources through increased costs or liabilities and reduced asset values which could arise as a result of the crystallisation of the credit-related risks, the regulatory and legal risks, the business and economic risks, the operational risks, the financial soundness-related risks, the government-related risks and other risks described herein; and/or
- an increase in the amount of capital that is needed to be held. This might be driven by a change to the actual level of risk faced by the Group or to changes in the minimum levels required by legislation or by the regulatory authorities, or it may be driven by an increase to the Group's view of the management buffer it should hold taking account of, for example, the capital levels or capital targets of the Group's peer banks or through the changing views of rating agencies.

Risks associated with the regulatory framework are described below:

Within the prevailing UK regulatory capital framework, the Group is subject to extensive regulatory supervision in relation to the levels of capital in its business. New or revised minimum and buffer capital requirements (including systemic and/or countercyclical capital requirements) could be applied and/or the manner in which existing regulatory requirements are applied to the Group could be changed by the regulatory authorities. For example:

- Some of the Group's risk-weighted assets are calculated from the Group's approved models. These are subject to regular review on a rolling basis to ensure that they remain appropriate in prevailing economic and business conditions. These reviews and model implementation may lead to increased levels of risk-weighted assets and/or expected loss, and so to lower reported capital ratios.
- The minimum capital requirements derived from risk-weighted assets are supplemented by the PRA, under Pillar 2 of the regulatory capital framework, through bank specific additional minimum requirements (informed by the ICAAP and set through Individual Capital Guidance) and through buffer requirements (as an outcome of PRA stress testing). There is a risk that through these Pillar 2 processes the PRA may require the Group to hold more capital than is currently planned.

In addition, there is a risk that the extensive reforms being implemented within the EU and the UK to the regulatory capital framework will give rise to higher regulatory capital expectations than the Group has anticipated within its strategic plans. Specific key examples are:

- Whilst a large number of regulatory changes were implemented in the UK on 1 January 2014 as a consequence of the CRD IV legislation, a number of supplementary regulatory technical standards and guidelines are still being developed by the EBA. The EBA is tasked with drafting 244 regulatory technical standards and guidelines to supplement the core CRD IV rules, and they have until 2017 to complete this action. Whilst the Group does not anticipate any material change to capital requirements as a consequence of the regulatory technical standards and guidelines there is a risk that this may not be the case. As at 31 December 2014, the EBA had finalised 69 of the 244 additional regulatory technical standards and guidelines.
- On 31 October 2014, the Bank of England's Financial Policy Committee ("**FPC**") recommended a framework of leverage requirements, including minimum and buffer leverage ratios which the Group expects will be implemented within the UK in stages until 2019. By 2017, both the EBA and the Basel Committee are expected to recommend minimum leverage ratios. The eventual outcome could be leverage requirements that are binding measures upon the Group requiring the Group to take action to improve its capital position.
- Both global and UK regulators are yet to finalise additional requirements for the banks that represent the greatest systemic threat (G-SIBs). The Financial Stability Board recommended additional requirements for

G-SIBs after the G20 meeting in November 2014 (Brisbane) and there is a risk that similar requirements will be applied to domestic systemically important banks (D-SIBs) that are more onerous than the Group anticipates. In 2015, the FPC intends to set out a framework for setting systemic risk buffers for UK ring-fenced banks and large building societies to take effect from 2019. Again, there is a risk that the requirements will be more severe than has been anticipated.

- In January 2015 the PRA issued a consultation paper setting out proposed changes to the Pillar 2 framework, including the methodologies that the PRA proposes to use to inform its setting of firms' Pillar 2A capital requirements. It is not yet clear how these proposals will impact the Group.
- More generally and in the longer term, the Basel Committee on Banking Supervision is considering revisions to the Basel Accord covering; credit risk capital requirements, operational risk capital requirements, market risk capital requirements and potentially introducing minimum requirements for interest rate risk in the banking book. However, it is still too early to understand the full impact of these reforms.
- A framework is being established within the EU and in the UK for the prevention, management and resolution of failing banks, which includes requirements for structural ring-fencing of retail and commercial banking activities and a facility to bail-in (write down or convert to equity) a wide range of liabilities. The European Commission formally adopted the final compromise text of the BRRD on 6 May 2014 and this has been transposed into UK law through the Banking Reform Act. However some details of the BRRD remain to be finalised, with initial recommendations expected from the EBA and in the UK the PRA is still to make rules to implement the provisions in the Banking Reform Act. The outcome of these reforms in aggregate is expected to impact the way the Group is structured and to lead to the introduction of requirements for banks to hold a minimum amount of capital and debt that is capable of being bailed-in, during times of stress. For more information, see sections entitled "*Risk Factors – Regulatory and legal risks – The Group faces risks associated with an uncertain and rapidly evolving prudential and international legal and regulatory environment*" and "*Risk Factors – Regulatory and legal risks – The Group and its UK subsidiaries may become subject to the provisions of the Banking Act 2009, as amended, in certain significant stress situations. The potential impact on the Group is inherently uncertain*".
- Finally, Solvency II is a fundamental revision of the current capital adequacy regime for the European insurance industry impacting the Group's life assurance and general insurance businesses. It aims to establish a revised set of EU-wide capital requirements where the required regulatory capital will be dependent upon the risk profile of the entities, together with revised risk management standards and market consistent principles. The European Commission has confirmed an implementation date of 1 January 2016 and it is expected that there will be no material change in the capital adequacy of the Group's business relative to the current Solvency I regime at the point Solvency II is implemented.

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

The Group is subject to the risk of deterioration of the commercial soundness and/or perceived soundness of other financial services institutions within and outside the UK. Financial services institutions that deal with each other are interrelated as a result of trading, investment, clearing, counterparty and other relationships. This presents systemic risk and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Group interacts on a daily basis, all of which could have a material adverse effect on the Group's ability to raise new funding.



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

**6.5 *The Group's insurance business and defined benefit pension schemes are subject to insurance risks which could adversely affect the Group's results of operations, financial condition or prospects.***

The insurance business of the Group is exposed to short-term and longer-term variability arising from uncertain longevity, mortality, morbidity and expense levels. The Group's defined benefit pension schemes are also exposed to longevity risk. Adverse developments in any of these factors will increase the size of the Group's insurance and/or defined benefit pension scheme liabilities and may adversely affect the Group's financial condition and results of operations. Further increases in life expectancy beyond current allowances will increase the cost of annuities and pension scheme benefits.

Customer behaviour in the insurance business may result in increased propensity to cease contributing to or cancel insurance policies at a rate in excess of business assumptions. Consequent reduction in policy persistency and fee income would have an adverse impact upon the profitability of the insurance business of the Group.

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

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

## **7 Government related risks**

**7.1 *The Solicitor for the Affairs of HM Treasury is the largest shareholder of the Company. Through its shareholding in, and other relationships with, the Company, HM Treasury is in a position to exert significant influence over the Group and its business.***

At 31 December 2014, HM Treasury held more than 20 per cent. of the Company's ordinary share capital. In the longer term, it is possible that the shareholding of HM Treasury may be diluted upon any further equity capital raising by the Company, sale of HM Treasury shares or potential conversion of any of the Company's convertible notes into ordinary shares pursuant to their terms, although, in such case, it is possible that HM Treasury would remain a significant shareholder in the Company. It is also possible that the Group may seek

to raise further capital or to obtain other support from the UK Government, which could result in an increase in HM Treasury's shareholding in the Company.

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

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

For more information, see "*Risk Factors — Regulatory and legal risks — The Group and its businesses are subject to substantial regulation, and regulatory and framework oversight. Adverse legal or regulatory developments could have a significant material adverse effect on the Group's results of operations, financial condition or prospects*". For more information on transactions related to the UK Government, see "*Lloyds Banking Group and Lloyds Bank — Major Shareholders and Related Party Transactions — Other related party transactions with the UK Government*".

**7.2 *The Group is subject to European state aid obligations following the approval of a Restructuring Plan in 2009. The implementation of the Restructuring Plan may have consequences that are materially adverse to the interests of the Group.***

On 18 November 2009, the European Commission approved the Restructuring Plan to support the long-term viability of the Group and to remedy any distortions to competition and trade in the EU arising from the state aid that the Group has received and address any commercial benefit received by the Group following its announcement in March 2009 of its then intention to participate in the Government Asset Protection Scheme ("GAPS").

The asset reduction requirement under the Restructuring Plan was completed in 2012 and the European Commission confirmed this commitment has been satisfied in May 2013. In order to satisfy the Restructuring Plan's requirements to dispose of a portion of the Group's retail banking business, the Group segregated this business and established TSB as a subsidiary within the Group, which was launched as a retail bank in September 2013. On 9 June 2014, the Group launched an initial public offering ("IPO") for TSB, with a further institutional placing, taking place on 26 September 2014. As at the date of this Prospectus, the Group holds approximately 50 per cent. of TSB's ordinary share capital. Pursuant to the Group's European state aid

obligations, the Group must complete a full divestment of its shareholding in TSB by 31 December 2015, with provision for an extension depending on market conditions.

Divestment of the Group's remaining shareholding in TSB, pursuant to the requirements of the Restructuring Plan, may create additional risks. There can be no assurance that the price that the Group receives for its remaining shareholding in TSB will be at a level which the Group considers adequate or which it could obtain if the Group was not disposing of TSB in accordance with the Restructuring Plan. If the Group fails to complete the disposal of the remaining portion of its holding in TSB by 31 December 2015, then in the absence of any further time extension being granted by the European Commission (should the appropriate market conditions not be present), a divestiture trustee would be appointed to conduct the sale, with a mandate to complete the disposal with no minimum price (including at a negative price).

## **8 Other risks**

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

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to the Group's results and financial position, based upon materiality and significant judgements and estimates, which include impairment of financial assets, valuation of financial instruments, pensions, insurance and taxation are discussed in detail in the Company's Annual Report 2014 filed with the SEC on Form 20-F under the section entitled "*Lloyds Banking Group and Lloyds Bank – Index to the consolidated financial statements – Notes to the consolidated financial statements Critical accounting estimates and judgements*".

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

### **8.2 *Both the Bank and the Company are dependent on dividends from their subsidiaries to meet their obligations, including payment obligations with respect to debt securities.***

The Bank is a holding company as well as a bank and as such one of its sources of income is dividends from its operating subsidiaries which also hold certain principal assets of the Group. As a separate legal entity, the Bank partly relies on remittance of their profits and other funds in order to be able to pay obligations to debt holders as they fall due, which remittance is subject to certain restrictions.

The Company is a non-operating holding company. The principal sources of the Company's income are, and are expected to continue to be, distributions from operating subsidiaries which also hold the principal assets of the Group. As a separate legal entity, the Company relies on such distributions in order to be able to meet its obligations (including its payment obligations with respect to its debt securities).

More generally, the ability of the Company's subsidiaries (including subsidiaries incorporated outside the United Kingdom) to pay dividends and the Company's ability to receive distributions from its investments in other entities will also be subject not only to their financial performance but also to applicable local laws and other restrictions. These restrictions could include, among other things, any regulatory, capital and leverage requirements, any statutory reserve requirements, any local regulatory ring-fencing requirements and

any applicable tax laws. These laws and restrictions could limit the payment of dividends and distributions to the Company by its subsidiaries and any other entities in which it holds an investment from time to time, which could restrict the Company's ability to meet its obligations.

**8.3 *Failure to manage the risks associated with changes in taxation rates or applicable tax laws, or misinterpretation of such tax laws, could materially adversely affect the Group's results of operations, financial condition or prospects.***

Tax risk is the risk associated with changes in taxation rates, applicable tax laws, misinterpretation of such tax laws, disputes with relevant tax authorities in relation to historic transactions or conducting a challenge to a relevant tax authority. Failure to manage this risk adequately could cause the Group to suffer losses due to additional tax charges and other financial costs including penalties. Such failure could lead to adverse publicity, reputational damage and potentially costs materially exceeding current provisions, in each case to an extent which could have an adverse effect on the Group's results of operations, financial condition or prospects.

**9 Risk Factors relating to the Notes and the issuance of dematerialised depositary interests ("CREST Depositary Interests" or "CDIs")**

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

**9.1 Risks related to the structure of a particular issue of Notes.**

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

*Noteholders' claims against the Bank rank junior to those of depositors*

If the relevant Issuer enters into an insolvent winding-up procedure, the administrator, liquidator or other insolvency practitioner would be expected to make distributions of the relevant Issuer's residual assets to its creditors in accordance with a statutory hierarchy or "order of priority". In the case of the Bank, Noteholders rank after claims of retail and certain corporate depositors.

*Holders of the Notes may be required to absorb losses in the event the Bank or the Company become subject to recovery and resolution action*

The final text of the BRRD, establishing a framework for the prevention, management and resolution of failing banks, was published in the Official Journal of the European Union on 12 June 2014 and came into force in the UK on 1 January 2015.

The stated aim of the BRRD is to provide authorities designated by Member States to apply the resolution tools and exercise the resolution powers set forth in the BRRD (the "**resolution authorities**") with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. The powers granted to resolution authorities under the BRRD include (but are not limited to) (i) a "write-down and conversion power" relating to Tier 1 and Tier 2 capital instruments on or prior to the resolution of the relevant Issuer and (ii) a "bail-in" power, relating to eligible liabilities. Such powers give resolution authorities the ability to write down or write off all, or a portion, of the claims (potentially including the Notes) of certain unsecured creditors of a failing institution and/or to convert certain debt claims into another security, including ordinary shares of the surviving Group entity, if any, which ordinary shares may also be subject to write down or write off. Such powers were implemented in the UK with effect from 1 January 2015.

The conditions for use of the bail-in power are, in summary, that (i) the regulator determines that the bank is failing or likely to fail, (ii) having regard to timing and other relevant circumstances, it is not reasonably likely that (ignoring the stabilisation powers) action will be taken by or in respect of the bank to avoid the failure of the bank, (iii) the relevant U.K. resolution authority determines that it is necessary having regard to the public interest to exercise the bail-in power in the advancement of one of the statutory objectives of resolution and (iv) that one or more of those objectives would not be met to the same extent by the winding up of the bank. The BRRD, as implemented, contains certain other limited safeguards for creditors in specific circumstances which (a) in the case of the write down and conversion power, may, depending on the circumstances, provide compensation to holders of the relevant capital instruments via the issue or transfer of ordinary shares of the bank or its parent undertaking in certain circumstances and (b) in the case of senior creditors, aim to ensure that they do not incur greater losses than they would have incurred had the relevant financial institution been wound up under normal insolvency proceedings.

In addition to the BRRD described above, it is possible that the exercise of the other powers under the Banking Act to resolve failing banks in the United Kingdom and give the authorities powers to override events of default or termination rights that might be invoked as a result of the exercise of the resolution powers, could have a material adverse effect on the rights of holders of the Notes, including through a material adverse effect on the price of the Notes. The Banking Act also gives the Bank of England the power to override, vary or impose contractual obligations between a UK bank, its holding company and its group undertakings for reasonable consideration, in order to enable any transferee or successor bank to operate effectively. There is also power for the UK Treasury to amend the law (excluding provisions made by or under the Banking Act) for the purpose of enabling it to use the regime powers effectively, potentially with retrospective effect.

In addition, the Banking Act may be further amended and/or other legislation may be introduced in the United Kingdom to amend the resolution regime that would apply in the event of a bank failure or to provide regulators with other resolution powers.

Finally, the determination that all or part of the principal amount of the Notes will be subject to bail-in is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the relevant Issuer's control. This determination will also be made by the relevant UK resolution authority and there may be many factors, including factors not directly related to the relevant Issuer or the Group, which could result in such a determination. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of a bail-in power may occur which would result in a principal write off or conversion to other securities, including equity. Moreover, as the criteria that the relevant UK resolution authority will be obliged to consider will provide it with considerable discretion, holders of the Notes may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such power and, consequently, its potential effect on the Issuers, the Group and the Notes. Potential investors in the Notes should consider the risk that a holder may lose all of its investment, including the principal amount plus any accrued interest, if such statutory loss absorption measures are acted upon.

Holders of Notes may have limited rights or no rights to challenge any decision of the relevant UK resolution authority to exercise the bail-in power or to have that decision reviewed by a judicial or administrative process or otherwise. Accordingly, trading behaviour in respect of the Notes is not necessarily expected to follow the trading behaviour associated with other types of securities that are not subject to such recovery and resolution powers. Potential investors in the Notes should consider the risk that a holder of the Notes may lose all of its investment, including the principal amount plus any accrued and unpaid interest, if such statutory loss absorption measures are acted upon or that the Notes may be converted into ordinary shares. Further, the introduction or amendment of such recovery and resolution powers, and/or any implication or anticipation

that they may be used, may have a significant adverse effect on the market price of the Notes, even if such powers are not used.

*The Notes will be subordinated to holders of certain preferential debts*

The Notes are senior liabilities of the relevant Issuer but if the relevant Issuer is declared insolvent and a winding-up is initiated the relevant Issuer will be required to pay the holders of certain preferential debts (including certain amounts owed to depositors) in full before the relevant Issuer can make any payments on the Notes. If this occurs, there may not be sufficient assets remaining after these payments to pay amounts due under the Notes.

The Notes are not and will not be protected deposits for the purposes of the FSCS established under the FSMA and so are not excluded from the application of the bail-in tool in resolution under the Banking Act. Therefore, if the relevant Issuer enters a resolution process pursuant to the Banking Act, as amended, the claims of the Noteholders under the Notes may be written down, written-off or converted into ordinary shares of the relevant Issuer or of the Company. Senior liabilities of the relevant Issuer such as the Notes would be bailed in after any subordinated liabilities and share capital of the relevant Issuer but before any amounts owed to more senior creditors (including depositors to the extent that such deposits are not excluded from the application of the bail-in tool).

*Notes are obligations of the relevant Issuer only*

The Notes are obligations of the relevant Issuer only and are not guaranteed by any other entity and accordingly the Noteholders have recourse in respect thereof only to the relevant Issuer.

*Notes subject to optional redemption by the relevant Issuer*

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

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

*Redemption for Taxation Reasons*

On the occurrence of a Tax Event (as defined in Condition 5(c)), the relevant Issuer may, at its option (but subject to certain conditions), redeem all, but not some only, of any relevant Series of Notes at the applicable Early Redemption Amount together with any accrued but unpaid interest up to (but excluding) the date fixed for redemption.

*Potential Conflicts of Interest*

Where the relevant Issuer acts as the Calculation Agent, or the Calculation Agent is an affiliate of the relevant Issuer, potential conflicts of interest may exist between the Calculation Agent and Noteholders, including with respect to certain determinations and judgements that the Calculation Agent may make pursuant to the Conditions that may influence the amount receivable upon redemption of the Notes.

*Notes issued at a substantial discount or premium*

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

### **Risks related to Notes generally.**

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

#### *Modification, waivers and substitution*

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of the Noteholders, agree to (i) any modification of, or waiver or authorisation of any breach or proposed breach of, any of the Terms and Conditions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another entity as principal debtor under any Notes in place of the relevant Issuer, in the circumstances described in Condition 11 of the Terms and Conditions of the Notes.

#### *EU Savings Directive*

EC Council Directive 2003/48/EC on the taxation of savings income (the “**EU Savings Directive**”) requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or secured by such a person for the benefit of) an individual resident, or to (or secured for) certain other types of entity established, in that other EU Member State, except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period it elects otherwise.

The Council of the European Union has adopted a Directive (the “**Amending Savings Directive**”) which will, when implemented, amend and broaden the scope of the requirements of the EU Savings Directive described above. The Amending Savings Directive will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or secured for) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the EU Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the EU Savings Directive, as amended. The Amending Savings Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

If a payment were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the EU Savings Directive or any law implementing or complying with, or introduced in order to conform to, such Directive, neither the relevant Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note or Coupon as a result of the imposition of such withholding tax. Furthermore, once the Amending Savings Directive is implemented and takes effect in EU Member States,

such withholding may occur in a wider range of circumstances than at present, as explained above. However, the relevant Issuer is required to maintain a Paying Agent with a specified office in an EU Member State that will not be obliged to withhold or deduct tax pursuant to any law implementing the EU Savings Directive (as amended from time to time) or any law implementing or complying with, or introduced in order to conform to, such Directive. However, investors should be aware that any custodians or intermediaries through which they hold their interest in the Notes may nonetheless be obliged to withhold or deduct tax pursuant to such laws unless the investor meets certain conditions, including providing any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the EU Savings Directive, as amended.

The European Commission has published a proposal for a Council Directive repealing the EU Savings Directive from 1 January 2016 and 1 January 2017 in the case of Austria (in each case subject to transitional agreements). The proposal also provides that, if it is adopted, Member States will not be required to implement the Amending Savings Directive.

Investors who are in any doubt as to their position should consult their professional advisers.

#### *Change of law*

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

#### *Notes where denominations involve integral multiples*

In the case of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

#### *Holding CREST Depository Interests*

Investors who hold through CREST through the issuance of CDIs (“**CDI Holders**”) will hold or have an interest in a separate legal instrument and not be the legal owners of the Notes underlying the CDIs (the “**Underlying Notes**”). Such CDIs will be issued to CDI Holders pursuant to the global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated) (the “**CREST Deed Poll**”) that will bind such CDI Holders. Fees, charges, costs and expenses may be incurred in connection with the use of the CREST International Settlement Links Service.

Potential investors should note that neither the relevant Issuer, the Trustee nor any Paying Agent will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

For further information on the issue and holding of CDIs see “*Clearing and Settlement*”.

## **10 Potential U.S. Foreign Account Tax Compliance Act withholding**



Certain provisions commonly known as FATCA impose a withholding tax of 30 per cent. (“**FATCA withholding**”) on certain U.S.-source payments and proceeds from the sale of assets that give rise to U.S.-source interest or dividends as well as certain payments by non-U.S. entities to persons that fail to meet certain certification or reporting requirements. Under existing guidance, withholding is imposed starting on (x) 1 July 2014 in respect of certain U.S.-source payments, (y) 1 January 2017 in respect of proceeds from the sale of assets that give rise to U.S.-source interest or dividends and (z) 1 January 2017, at the earliest, in respect of “foreign passthru payments” (a term which is not yet defined under FATCA). The relevant Issuer and other financial institutions through which payments on the Notes are made may be required to withhold on account of FATCA if (a) an investor does not provide information sufficient for the relevant Issuer or the relevant financial institution to determine whether the investor is subject to FATCA withholding or (b) a “foreign financial institution” (as defined under FATCA) to or through which payments on the Notes are made (including a foreign financial institution that is a beneficial owner of the Notes) is a “non-participating foreign financial institution”. No FATCA withholding will be imposed, however, in respect of Notes that can only produce “foreign passthru payments” and are issued on or before the date that is six months after the date on which final regulations are issued defining the term “foreign passthru payment” unless the Notes are materially modified after such date.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes and the information reporting obligations of the relevant Issuer and other entities in the payment chain is still developing. In particular, a number of jurisdictions (including the United Kingdom) have entered into, or have announced their intention to enter into, intergovernmental agreements (or similar mutual understandings) with the United States, which modify the way in which FATCA applies in their jurisdictions. The full impact of such agreements (and the laws implementing such agreements in such jurisdictions) on reporting and withholding responsibilities under FATCA is unclear. The relevant Issuer and other entities in the payment chain may be required to report certain information on their U.S. account holders to government authorities in their respective jurisdictions or the United States in order (i) to obtain an exemption from FATCA withholding on payments they receive and/or (ii) to comply with applicable law in their jurisdiction. It is not yet certain how the United States and the jurisdictions which enter into intergovernmental agreements will address withholding on “foreign passthru payments” (which may include payments on the Notes) or if such withholding will be required at all.

Whilst the Notes are in global form and held within Euroclear and Clearstream, Luxembourg (together, the “**ICSDs**”), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of FATCA withholding, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The relevant Issuer’s obligations under the Notes are discharged once it has made payment to, or to the order of, the common depositary or common safekeeper for the ICSDs (as bearer or registered holder of the Notes) and the relevant Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE RELEVANT ISSUER, THE NOTES AND THE NOTEHOLDERS IS SUBJECT TO CHANGE. EACH HOLDER OF NOTES SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW FATCA MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCE.

## **11 Risks related to the market generally**

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

### *The secondary market generally*

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

### *Exchange rate risks and exchange controls*

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

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

### *Interest rate risk*

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

### *Credit ratings may not reflect all risks*

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

### *Effect of credit rating reduction*

The value of the Notes is expected to be affected, in part, by investors' general appraisal of the relevant Issuer's creditworthiness. Such perceptions are generally influenced by the ratings accorded to the relevant Issuer's outstanding securities by standard statistical rating services, such as Moody's, S&P and Fitch. A reduction in the rating, if any, accorded to outstanding debt securities of the relevant Issuer by one of these rating agencies could result in a reduction in the trading value of the Notes.

*Investors to rely on the procedures of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), Luxembourg for transfer, payment and communication with the relevant Issuer*

Notes issued under the Programme may be represented by one or more Global Notes or a permanent registered global certificate (each a "**Global Certificate**"). Such Global Notes or Global Certificates may be deposited with a common depositary or a common safekeeper (the "**Common Safekeeper**"), as the case may be, for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive definitive Notes or Certificates. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes or Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes or Global Certificates, the relevant Issuer will discharge its payment obligations under the Notes by making payments to the common depositary or a common safekeeper, as the case may be, for Euroclear or Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The relevant Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interest in the Global Notes or Global Certificates.

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

## **12 Risks related to Notes denominated in Renminbi ("**Renminbi Notes**")**

*The Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the People's Republic of China (the "**PRC**") which may adversely affect the liquidity of Renminbi Notes.*

The Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between the Renminbi and foreign currencies, including the Hong Kong dollar, despite the significant reduction over the years by the PRC government of control over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. This represents a current account activity. However, remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filing with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

There is no assurance that the PRC government will continue to liberalise the control over cross-border RMB remittances in the future that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated

outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the relevant Issuer to source Renminbi to finance its obligations under the Renminbi Notes.

Holders of beneficial interests in Notes denominated in Renminbi may be required to provide certifications and other information (including Renminbi account information) in order to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong.

*There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Renminbi Notes and the relevant Issuer's ability to source Renminbi outside the PRC to service such Renminbi Notes*

As a result of the restrictions imposed by the PRC government on cross border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. Currently, licensed banks in Singapore and Hong Kong may offer limited Renminbi denominated banking services to Singapore residents, Hong Kong residents and specified business customers. The People's Bank of China ("**PBOC**") has also established a Renminbi clearing and settlement system for participating banks in Singapore, Hong Kong, Macao, Taiwan, London, Frankfurt, Seoul, Toronto, Sydney, Doha, Paris, Luxembourg, Kuala Lumpur and Bangkok. Each of Industrial and Commercial Bank of China Limited, Singapore Branch, Bank of China (Hong Kong) Limited, Bank of China, Macao Branch, Bank of China, Taipei Branch, China Construction Bank (London) Limited, Bank of China, Frankfurt Branch, Bank of Communications, Seoul Branch, Industrial and Commercial Bank of China (Canada), Bank of China (Australia) Limited, Industrial and Commercial Bank of China Limited, Doha Branch, Bank of China, Paris Branch, Industrial and Commercial Bank of China Limited, Luxembourg Branch, Bank of China (Malaysia) Limited and Industrial and Commercial Bank of China (Thailand) Limited (each an "**RMB Clearing Bank**") has entered into settlement agreements (the "**Settlement Agreements**") with the PBOC to act as the RMB Clearing Bank in Singapore, Hong Kong, Taiwan, London, Frankfurt, Seoul, Toronto, Sydney, Doha, Paris, Luxembourg, Kuala Lumpur and Bangkok, respectively.

However, the current size of Renminbi-denominated financial assets outside the PRC is limited. Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. They are only allowed to square their open positions with the relevant RMB Clearing Bank after consolidating the Renminbi trade position of banks outside Singapore, Hong Kong, Taiwan, Macao, London, Frankfurt, Seoul, Toronto, Sydney, Doha, Paris, Luxembourg, Kuala Lumpur and Bangkok that are in the same bank group of the participating banks concerned with their own trade position and the relevant RMB Clearing Bank only has access to onshore liquidity support from PBOC to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement. The relevant RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the relevant Issuer is required to source Renminbi outside the PRC to service the Renminbi Notes, there is no assurance that the relevant Issuer will be able to source such Renminbi on satisfactory terms, if at all.

*Investment in the Renminbi Notes is subject to exchange rate risks and the relevant Issuer may make payments of interest and principal in U.S. dollars in certain circumstances*

The value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. In addition, although the relevant Issuer's primary obligation is to make all payments of interest and principal or other amounts with respect to the Renminbi Notes in Renminbi, in certain circumstances, and if so specified, the terms of the Notes allow the relevant Issuer to delay any such payment and/or make payment in U.S. dollars or another specified currency at the prevailing spot rate of exchange, and/or cancel or redeem such Notes, all as provided for in more detail in the Notes (see Condition 6(i)). As a result, the value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the marketplace. If the value of the Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of a Renminbi Noteholder's investment in U.S. dollars or other applicable foreign currency terms will decline.

In the event that access to Renminbi becomes restricted to the extent that, by reason of Inconvertibility, Non-transferability, Illiquidity or any other Scheduled Payment Currency Disruption Event (each as defined in the Terms and Conditions), the relevant Issuer is unable, or it is impractical for it, to pay interest or principal in Renminbi, the Terms and Conditions allow the relevant Issuer to make payments in U.S. dollars or other foreign currency at the prevailing spot rate of exchange, all as provided in more detail in the Terms and Conditions. As a result, the value of these Renminbi payments may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of a holder's investment in the U.S. dollar or other foreign currency terms will decline.

*An investment in Renminbi Notes is subject to interest rate risks.*

The PRC government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. The Renminbi Notes may carry a fixed interest rate. Consequently, the trading price of such Renminbi Notes will vary with fluctuations in interest rates. If a holder of Renminbi Notes tries to sell any Renminbi Notes before their maturity, they may receive an offer that is less than the amount invested.

*Payments in respect of the Renminbi Notes will only be made to investors in the manner specified in the Terms and Conditions of the relevant Notes.*

Investors may be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong. All Renminbi payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by a Global Note or a Global Certificate held with the common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg or any alternative clearing system, by transfer to a Renminbi bank account maintained in the RMB Settlement Centre(s) (as defined below) in accordance with prevailing Euroclear and/or Clearstream, Luxembourg rules and procedures, or (ii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in the RMB Settlement Centre(s) in accordance with prevailing rules and regulations. Other than as described in the Terms and Conditions, the relevant Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft, or by transfer to a bank account in the PRC).

**"RMB Settlement Centre(s)"** means the financial centre(s) specified as such in the applicable Final Terms or Pricing Supplement in accordance with applicable laws and regulations. If no RMB Settlement Centre is specified in the relevant Final Terms or Pricing Supplement, the RMB Settlement Centre shall be deemed to be Hong Kong.

### **13 Risks related to payment of Notes in an Alternative Currency or Payment Currency**

The relevant Issuer's primary obligation is to make all payments of interest, principal and other amounts with respect to Notes in the relevant Specified Currency. However, if Alternative Currency Equivalent is specified to be applicable and if access to the Specified Currency becomes restricted, the relevant Issuer may in its sole and absolute discretion (i) postpone the payment of any such amounts, (ii) make any such payment in the relevant Alternative Currency at the rates, and in the manner, set out in Condition 6(i) and the relevant Final Terms, (iii) postpone the payment and make such payment in the relevant Alternative Currency or (iv) cancel or redeem the Notes.

In addition, if the Synthetic Currency Asset Conditions are specified to be applicable in respect of any Notes, such Notes may be denominated in the Specified Currency but payable in another currency (the "**Payment Currency**").

In each case, the value of the Notes could therefore be affected by fluctuations in the value of the Specified Currency as compared to the Alternative Currency or the Payment Currency, as the case may be. There is a risk that the exchange rate (or the exchange rates) used to determine the Alternative Currency or Payment Currency amount of any payments in respect of the Notes may significantly change (including changes due to devaluation or revaluation of the Specified Currency) or that authorities with jurisdiction over such currencies could cause a decrease in (1) the Alternative Currency or Payment Currency equivalent yield on the Notes, (2) the Alternative Currency or Payment Currency equivalent value of the amount payable in respect of the relevant Final Redemption Amount of the Notes and (3) the Alternative Currency or Payment Currency equivalent market value of the Notes. Therefore, there is a possibility that the Alternative Currency or Payment Currency value of the Notes at the time of any sale or redemption or cancellation, as the case may be, of the Notes may be below the value of the investor's original investment in the Notes, depending on the exchange rate at the time of any such sale or redemption or cancellation, as the case may be.

(a) *Factors affecting the relevant foreign exchange rate*

The rate at which amounts will be converted into the Alternative Currency or Payment Currency is dependent upon the supply and demand for currencies in the international foreign exchange markets, which are subject to economic factors, including inflation rates in the countries concerned, interest rate differences between the respective countries, economic forecasts, international political factors, currency convertibility and safety of making financial investments in the currency concerned, speculation and measures taken by governments and central banks. Such measures include, without limitation, imposition of regulatory controls or taxes, issuance of a new currency to replace an existing currency, alteration of the exchange rate or exchange characteristics by devaluation or revaluation of a currency or imposition of exchange controls with respect to the exchange or transfer of a specified currency that would affect exchange rates and the availability of a specified currency.

(b) *Lloyds is a major foreign exchange dealer and is subject to conflicts of interest*

Investors should note that certain affiliates of the Issuers are regular participants in the foreign exchange markets and in the ordinary course of their business may effect transactions for their own account or for the account of their customers and hold long and short positions in currencies and related derivatives, including in the Specified Currency and/or the Alternative Currency or Payment Currency. Such transactions may affect the relevant FX rate, the market price, liquidity or value of the Notes and could be adverse to the interests of Noteholders. No Affiliate (as defined in the Terms and Conditions of the Notes) of the Issuers has any duty to enter into such transactions in a manner which is favourable to Noteholders.

(c) *Currencies of emerging markets jurisdictions pose particular risks*

Securities denominated in emerging market currencies may experience greater volatility and less certainty as to the future levels of such emerging market currencies or their rate of exchange as against other currencies.

(d) *Principal Protection*

Foreign exchange fluctuations between an investor's home currency (or the Specified Currency) and the Payment Currency may affect investors who intend to convert gains or losses from the exercise or sale of Notes into their home currency and may eventually cause a partial or total loss of the investor's initial investment.

In particular, Notes with terms linked to the performance of foreign exchange rates of emerging market currencies may experience greater volatility and less certainty as to the future of such emerging market currencies or their rate of exchange as against other currencies.

## FORWARD LOOKING STATEMENTS

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

Examples of such forward looking statements include, but are not limited to: projections or expectations of the Group's future financial position including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets ("RWAs"), expenditures or any other financial items or ratios; litigation, regulatory and governmental investigations; the Group's future financial performance; the level and extent of future impairments and write-downs; statements of plans, objectives or goals of Lloyds Banking Group or its management including in respect of statements about the future business and economic environments in the United Kingdom ("UK") and elsewhere including, but not limited to, future trends in interest rates, foreign exchange rates, credit and equity market levels and demographic developments; statements about competition, regulation, disposals and consolidation or technological developments in the financial services industry; and statements of assumptions underlying such statements.

Factors that could cause actual business, strategy, plans and/or results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements made by the Group or on its behalf include, but are not limited to: general economic and business conditions in the UK and internationally; market related trends and developments; fluctuations in exchange rates, stock markets and currencies; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's credit ratings; the ability to derive cost savings; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality; instability in the global financial markets, including Eurozone instability and the impact of any sovereign credit rating downgrade or other sovereign financial issues; technological changes and risks to cyber security; natural, pandemic and other disasters, adverse weather and similar contingencies outside the Group's control; inadequate or failed internal or external processes or systems; terrorist acts, geopolitical events and other acts of war or hostility, geopolitical, pandemic or other such events; changes in laws, regulations, accounting standards or taxation, including as a result of further Scottish devolution; changes to regulatory capital or liquidity requirements and similar contingencies outside the Group's control; the policies, decisions and actions of governmental or regulatory authorities in the UK, the European Union (the "EU"), the United States or elsewhere including the implementation of key legislation and regulation; the ability to attract and retain senior management and other employees; requirements or limitations imposed on the Group as a result of HM Treasury's investment in the Group; actions or omissions by the Group's directors, management or employees including industrial action; changes to the Group's post-retirement defined benefit scheme obligations; the ability to complete satisfactorily the disposal of certain assets as part of the Group's EU State Aid obligations; the provision of banking operations services to TSB Banking Group plc; the extent of any future impairment charges or write-downs; the value and effectiveness of any credit protection purchased by the Group; the inability to hedge certain risks economically; the adequacy of loss reserves; the actions of competitors, including non-bank financial services and lending companies.



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

## INFORMATION ABOUT THE PROGRAMME

|  |   | <b>Refer to</b>   |
|--|---|---|
| <b>What is the Programme?</b>                      | <p>The Programme is a debt issuance programme under which Lloyds Bank plc and Lloyds Banking Group plc, as the issuers may, from time to time, issue debt instruments which are referred to in this Prospectus as the Notes. Notes are also commonly referred to as bonds.</p> <p>The Programme is constituted by a set of master documents containing standard terms and conditions and other contractual provisions that can be used by the Issuers to undertake any number of issues of Notes from time to time in the future, subject to a maximum limit of £5,000,000,000 (or its equivalent in other currencies) outstanding at any time under the Programme. These terms and conditions are set out later in this Prospectus.</p> <p>The Programme was established on the date of this Prospectus.</p>   | Terms and Conditions of the Notes beginning on page 83  |
| <b>How are Notes issued under the Programme?</b>   | <p>Whenever one of the Issuers decides to issue Notes, it undertakes what is commonly referred to as a “drawdown”. On a drawdown, documents which are supplementary to the Programme master documents are produced, indicating which provisions in the master documents are relevant to that particular drawdown and setting out the Terms and the Conditions of the Notes to be issued under the drawdown. The key supplementary documents that you also need to read when deciding whether to invest in Notes issued as part of a drawdown in the 12 month period from the date of this Prospectus are: (a) any supplement to this Prospectus published after the date of this Prospectus and (b) the applicable Final Terms for such Notes.</p> <p>The relevant Issuer will prepare and publish a supplement to this Prospectus or prepare and publish a new Prospectus, in each case, for use in connection with any subsequent issue of Notes in the event of:</p> <ul style="list-style-type: none"> <li>• any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which may affect an investor’s assessment as to whether they should buy any Notes;</li> <li>• any inclusion or removal of information from this Prospectus which is necessary to allow an investor to make an accurate assessment of the assets and liabilities, financial position, profits and losses and prospects of the Bank, the Company and the Group, and the rights which attach to the Notes.</li> </ul> <p>Each Final Terms will set out the specific terms of each issue of Notes under the Programme. Each Final Terms should be read alongside the Terms and Conditions of the Notes, and the two together provide the specific terms of the Notes relevant to a specific drawdown.</p> | Terms and Conditions of the Notes beginning on page 83 and the Forms of Final Terms beginning on page 216 |
| <b>What types of Notes may be issued under the</b> | <p>Three types of Notes may be issued under the Programme: Fixed Rate Notes, Floating Rate Notes and Zero Coupon Notes.</p> <p>Fixed Rate Notes are Notes where the interest rate payable by the relevant Issuer on the Notes is fixed, for the life of the Notes, as a set percentage at</p>   | Terms and Conditions of the Notes beginning on  |

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| <b>Programme?</b>                                     | <p>the time of issue.</p> <p>Floating Rate Notes are Notes where the interest rate is calculated by reference to a fluctuating benchmark rate. Under the Programme, that benchmark rate will be either an ISDA defined rate (which is a rate determined in accordance with market-standard definitions published by the International Swaps and Derivatives Association, Inc.), the Euro Interbank Offered Rate (EURIBOR) or the London Interbank Offered Rate (LIBOR). The floating interest rate is calculated on or about the start of each new interest period and applies for the length of that interest period. Therefore, Floating Rate Notes in effect have a succession of fixed interest rates which are recalculated on or about the start of each new interest period. Although the floating interest rate will be based on the benchmark rate, it will typically also include a fixed percentage margin which is added to the benchmark rate.</p> <p>Zero Coupon Notes are Notes which do not carry any interest but are generally issued at a significant discount to their nominal amount. Zero Coupon Notes are repaid at their full amount. Therefore, if you purchase Zero Coupon Notes on their issue date and hold them to maturity, your return will be the difference between the issue price and the amount of the Zero Coupon Notes paid on maturity. Alternatively, you could make a return on Zero Coupon Notes through a sale at a higher price than that which you bought them for prior to their maturity.</p> <p>The specific details of each Note issued will be specified in the applicable Final Terms.</p> | page 83 and the Forms of Final Terms beginning on page 216 |
| <b>What currency will the Notes be issued in?</b>     | The Notes can be denominated in any currency. It is also possible that the terms of the Notes will allow for Notes to be denominated in one currency but payments on those Notes be made in a different currency. For a worked example demonstrating how this might work, see <i>“How the Return on Your Investment is Calculated – Fixed Interest – Worked Example 2”</i> .  |  |
| <b>How will the price of the Notes be determined?</b> | Notes may be issued at (i) their nominal amount, (ii) a discount to their stated value or (iii) a premium to their stated value. The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and the relevant Dealer or Dealers at the time of “pricing” of the Notes in accordance with prevailing market conditions. The issue price for each Tranche will be specified in the applicable Final Terms.   | N/A  |
| <b>What is the yield on Fixed Rate Notes?</b>         | The yield in respect of each issue of Fixed Rate Notes will be calculated on the basis of the Issue Price and specified in the applicable Final Terms. Yield is not an indication of future price. The Final Terms in respect of any Floating Rate Notes will not include any indication of yield.  | N/A  |

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| <p><b>Will the Notes issued under the Programme have a credit rating?</b></p>                  | <p>A Series of Notes issued under the Programme may be rated by a credit rating agency or may be unrated. Any such ratings will not necessarily be the same as the rating assigned to the Bank, the Company or to any other Series of Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The long-term senior obligations of the Bank are rated “A” by S&amp;P, “A2” by Moody’s and “A” by Fitch. The short-term obligations of the Bank are rated “A-1” by S&amp;P, “P-1” by Moody’s and “F1” by Fitch. The long-term senior obligations of the Company are rated “BBB” by S&amp;P, “A2” by Moody’s and “A” by Fitch. The short-term obligations of the Company are rated “A-2” by S&amp;P, “P-1” by Moody’s and “F1” by Fitch. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the EU Credit Rating Agencies Regulation No. 1060/2009.</p>                  | <p>N/A</p>  |
| <p><b>Will I be able to trade the Notes issued under the Programme?</b></p>                    | <p>Application has been made to admit Notes issued during the period of 12 months from the date of this Prospectus to the Official List of the UK Listing Authority and to admit them to trading on London Stock Exchange’s regulated market. References in this Prospectus to Notes being listed (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the London Stock Exchange’s regulated market. The Notes may also be listed on the London Stock Exchange’s specific market for retail bonds, the ORB.</p> <p>Once listed, the Notes may be purchased or sold through a broker. The market price of the Notes may be higher or lower than their issue price depending on, among other things, the level of supply and demand for the Notes, movements in interest rates and the financial performance of the Bank, the Company and the Group. (See “<i>Risk Factors – Risks related to the market generally – The secondary market generally</i>”).</p>  | <p><i>Additional Information - 1. Listing and admission to trading of the Notes on page 231</i></p> |
| <p><b>What sums might Noteholders receive in a winding-up or resolution of the Issuer?</b></p> | <p><u>Winding-up of the Issuers</u></p> <p>If an Issuer enters into an insolvent winding-up procedure, the administrator, liquidator or other insolvency practitioner would be expected to make distributions of such Issuer’s residual assets to its creditors in accordance with a statutory hierarchy or “order of priority”.</p> <p>In the order of priority the claim of each Noteholder to amounts owed under the Notes would be expected to rank (i) after the claims of any creditors that are given preferential treatment by applicable mandatory laws relating to the rights of creditors (including depositors) and (ii) ahead of any creditor who has agreed with such Issuer that their claims will rank lower than a Noteholder or shareholder of such Issuer.</p> <p><b>The Notes are not and will not be protected deposits for the purposes of the FSCS established under the FSMA.</b></p> <p>A simplified diagram illustrating the expected ranking of the claims of Noteholders in relation to the Notes compared to the ranking of other creditors of each Issuer is set out below. Only the Bank (and not the Company) has depositors.</p> | <p>N/A</p>  |



|  |   |   |
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|  | <p>companies, their rights as shareholders will be structurally subordinated. The claims of the Bank and the Company will be further structurally subordinated in such circumstances.</p> <p><b>Therefore, the claims of Noteholders under the Notes (as creditors of the relevant Issuer) are structurally subordinated to, and rank lower than, the claims of creditors of each of the relevant Issuer's direct and indirect subsidiaries.</b></p> <p><u>Resolution of the Issuers</u></p> <p><b>As noted above, the Notes are not and will not be protected deposits for the purposes of the FSCS established under the FSMA and so are not excluded from bail-in under the Banking Act. Therefore, if either Issuer enters a resolution process pursuant to the Banking Act, the claims of the Noteholders under the Notes may be written down, written-off or converted into ordinary shares of the Bank or of the Company.</b> A similar order of priority as set out above under "<i>Winding-up of the Issuers</i>" would be expected to apply to any bail-in of the Bank's or the Company's liabilities pursuant to the Banking Act with senior liabilities such as the Notes being bailed in after any subordinated liabilities and share capital of the Bank or the Company but before any amounts owed to more senior creditors (including depositors to the extent that such deposits are not excluded from the application of the bail-in tool).</p> |   |
| <b>Do the Notes have voting rights?</b>                      | <p>Noteholders have certain rights to vote at meetings of the Noteholders, but are not entitled to vote at any meeting of shareholders of the Bank, the Company or any other member of the Group.</p> <p>The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit majorities of certain sizes to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a different manner than the majority did.</p>  | <i>Terms and Conditions of the Notes - Meetings of Noteholders, Modification, Waiver and Substitution beginning on page 123</i> |
| <b>Can the Terms and Conditions of the Notes be amended?</b> | <p>The Terms and Conditions of the Notes provide that the Trustee may, without the consent of Noteholders or Couponholders, agree to: (a) any change to any of the provisions of the Trust Deed that is, in the opinion of the Trustee in each following case, of a formal, minor or technical nature or is made to correct a manifest error; (b) waive, modify or authorise any other change to the Trust Deed or any proposed breach or breach by the relevant Issuer of a provision of the Trust Deed if, in the opinion of the Trustee, such modification, proposed breach or breach is not materially prejudicial to the interests of the Noteholders; or (c) the substitution of another company as principal debtor under the Notes in place of the relevant Issuer in certain circumstances and subject to the satisfaction of certain conditions.</p> <p>Noteholders may also sanction a modification of the Terms and Conditions of the Notes by passing an Extraordinary Resolution.</p>   | <i>Terms and Conditions of the Notes - Meetings of Noteholders, Modification, Waiver and Substitution beginning on page 123</i> |
| <b>What if I have further</b>                                | If you are unclear in relation to any matter, or uncertain if any Notes offered under the Programme are a suitable investment, you should seek  | N/A   |

|                   |  |  |
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| <b>questions?</b> | professional advice from your broker, solicitor, accountant or other independent financial adviser before deciding whether or not to invest. |  |
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## HOW THE RETURN ON YOUR INVESTMENT IS CALCULATED

THE WORKED EXAMPLES PRESENTED BELOW ARE HYPOTHETICAL SCENARIOS WHICH ARE PROVIDED FOR ILLUSTRATIVE PURPOSES ONLY AND ARE IN NO WAY REPRESENTATIVE OF ACTUAL PRICING TERMS. THE EXAMPLES ARE INTENDED TO DEMONSTRATE HOW AMOUNTS PAYABLE UNDER THE NOTES ARE CALCULATED UNDER A VARIETY OF SCENARIOS. THE ACTUAL AMOUNTS PAYABLE (IF ANY) WILL BE CALCULATED IN ACCORDANCE WITH THE TERMS OF YOUR NOTES.

**Interest:** For worked examples showing how the type of interest specified to apply to your Notes is calculated, please see the following:

|                                    |         |
|------------------------------------|---------|
| Fixed interest Notes .....         | Page 73 |
| Floating rate interest Notes ..... | Page 76 |
| Zero coupon Notes.....             | Page 78 |

**Types of Notes:** each Series of Notes issued under this Prospectus will have one of the above structures.

### Key Terminology and Assumptions

**Calculation Amount:** all amounts of interest or redemption payable on the Notes are calculated by reference to a 'Calculation Amount' which is assumed to be GBP 1,000 in the worked examples. Each Note of a particular series will have the same Calculation Amount.

**Specified Denomination:** all Notes have a particular face value. Unless expressly specified, this is assumed to be £1,000 in the worked examples. There could also be a minimum denomination (e.g. £20,000 and multiples of £1,000 in excess thereof).

**Redemption:** the applicable Final Terms relating to a series of Notes will state the amount to be repaid at the time the Notes mature. This will be stated based on the Calculation Amount and in most circumstances will be 100 per cent. of the Calculation Amount.

**Day Count Fractions:** if applicable to a series of Notes, the Day Count Fraction is used to calculate the amount of interest to be paid if interest is calculated using the number of days in a particular interest period (instead of a fixed amount). One example of a day count fraction is 30/360. This day count fraction assumes that each month of the year is 30 days long (so, for example, three months will contain 90 days, six months contain 180 days) and each year is 360 days. This is regardless of the actual number of days in that month or year. Alternative day count fractions include 'Actual/365 (Fixed)' (where the actual number of days in the interest period is used for calculations based on an assumed year length of 365 days), 'Actual/360' (where the actual number of days in the interest period is used for calculations based on an assumed year length of 360 days) and 'Actual/Actual ISDA' (where the actual number of days in the interest period is used for calculations based on the actual number of days in that year).

**Synthetic Currency Asset Conditions:** where the synthetic currency asset conditions in the Final Terms are stated to be 'Applicable', that series of Notes will be denominated in one currency (e.g. BRL – the “**Specified Currency**”) but payable in another (e.g. USD - the “**Payment Currency**”). A number of different specified and payment currency options are possible, these currencies are: Algerian Dinar, Angolan Kwanza, Argentine Peso, Australian Dollar, Brazilian Real, Bulgarian Lev, Canadian Dollar, Chilean Peso, Chinese Renminbi, Colombia Peso, Croatian Kuna, Czech Koruna, Danish Krone, Ecuadorian Sucre, Egyptian Pound, Ghanaian



Cedi, Hong Kong Dollar, Hungarian Forint, Indian Rupee, Indonesian Rupiah, Israeli Shekel, Kazakhstan Tenge, Kenyan Shilling, Korean Won, Kuwaiti Dinar, Latvian Lats, Lebanese Pound, Lithuanian Litas, Malaysian Ringgit, Mexican Peso, Moroccan Dirham, New Zealand Dollar, Nigerian Naira, Norwegian Krone, Pakistani Rupee, Peruvian Sol, Philippine Peso, Polish Zloty, Romanian Leu, Russian Ruble, Saudi Arabian Riyal, Singapore Dollar, South African Rand, Sri Lankan Rupee, Sterling, Swedish Krona, Swiss Franc, Taiwanese Dollar, Thai Baht, Tunisian Dinar, Turkish Lira, Ukrainian Hryvnia, U.S. Dollar, Venezuelan Bolivar, Vietnamese Dong, Yen and Zambian Kwacha. Prior to issue of the Notes, a payment of interest, or on redemption, the amount to be paid in the Specified Currency of the Notes will be converted into the Payment Currency using an exchange rate. This exchange rate is set shortly before each relevant payment and is calculated using the methods set out in the Final Terms. *It should be noted that each of the specified payment and currency options will have different implications for holders of the Notes and the below is only an example of how one such option may look.*

If the Synthetic Currency Asset Conditions for a particular Final Terms specify that the exchange rate to be used should be determined by 'ISDA Determination' then the exchange rate for payment of interest will be calculated using a particular rate provided by the International Swaps and Derivatives Association, Inc. (the "**ISDA Rate**"). The applicable Final Terms will also specify (i) what exchange rate provided by the International Swaps and Derivatives Association, Inc. will be used, (ii) the person responsible for ascertaining such rate and (iii) the number of days prior to an Interest Payment Date on which the exchange rate should be calculated using the ISDA Rate.

**Key assumptions made for each of the worked examples below:**

- the 'Calculation Amount' of each Note is GBP 1,000;
- unless otherwise specified, you hold one Note (with a Specified Denomination of GBP 1,000 and a Calculation Amount of GBP 1,000); and
- the Notes are not redeemed or purchased and cancelled prior to the relevant interest payment date or redemption date (as applicable) and no relevant disruption event occurs.

**Fixed Interest**

*Fixed interest Notes pay a periodic and predetermined fixed rate of interest over the life of the Notes.*

**Interest calculation:**

If the Final Terms specifies the Interest Basis to be 'Fixed Rate', on each interest payment date you will receive an amount calculated by multiplying the relevant fixed interest rate by the Calculation Amount divided by the number of interest payments in a year. Further, if there is an irregular interest period length or the relevant Notes are redeemed early, this interest amount will be multiplied by the applicable day count fraction.

The day count fraction represents the number of days in the relevant interest calculation period. For example, if the interest calculation period contains 181 days and the day count fraction 'rule' is Actual/365 (Fixed), the day count fraction will be calculated as 181/365.

**WORKED EXAMPLE 1**

**Assumptions:**

- the Final Terms specifies the Interest Basis to be '4 per cent. Fixed Rate'. The interest will be paid as a fixed coupon amount (the same interest payment in each interest period regardless of date of payment);

- the fixed interest rate is 4 per cent. (per annum);
- there are two interest payment dates in each year over the life of the Notes;
- the Specified Currency is GBP;
- the Synthetic Asset Currency Conditions are stated to be 'Not Applicable';
- the Issue Price is 100 per cent. per Calculation Amount; and
- the Redemption Basis is GBP1,000 per Calculation Amount.

**Issue Price:**

The amount payable per Note will be 100 per cent. of the Calculation Amount = GBP 1,000.

**Interest amount payable:**

The interest amount payable on each interest payment date will be GBP 20.

This figure is calculated as the fixed interest rate of 4 per cent. multiplied by the Calculation Amount of GBP 1,000 divided by the number of interest payments in a year (i.e. 4 per cent.  $\times$  GBP 1,000/2).

**Amount payable on redemption:**

The amount payable per Note will be 100 per cent. of the Calculation Amount = GBP 1,000. This amount is 100 per cent. of the price per Note originally paid by the investor.

**WORKED EXAMPLE 2**

**Assumptions:**

- the Notes are denominated in Brazilian Real ("BRL") (with a Specified Denomination of BRL 1,000 and a Calculation Amount of BRL 1,000);
- the Final Terms specifies the Interest Basis to be 'Fixed Rate';
- the fixed interest rate is 5.5 per cent. (per annum);
- there is one interest payment date in each year (1 June) over the life of the Notes. The Notes were issued on 1 June 2010 and mature on 1 June 2030;
- the Specified Currency is BRL;
- the Issue Price is 100 per cent. per Calculation Amount;
- the Synthetic Asset Currency Conditions are stated to be 'Applicable';
- the Payment Currency is USD;
- the Rate Calculation Date is 30 May in each year;
- the Synthetic Currency FX Rate is determined by reference to 'ISDA Determination'; and
- the Redemption Basis is BRL1,000 per Calculation Amount.

**Issue Price:**

The Synthetic Currency FX Rate calculated on 30 May 2010 was BRL1:U.S.\$0.46.

The price of the Notes when issued was U.S.\$460.

This figure is calculated as the Issue Price (100 per cent.) multiplied by the Calculation Amount

of BRL 1,000 (i.e.  $\text{BRL } 1,000 \times 100 \text{ per cent.} = \text{BRL } 1,000$ ).

The Synthetic Currency FX Rate is then applied to produce the price of the Notes (i.e.  $\text{BRL } 1,000 \times 0.46$ ).

**Interest amount payable on 1 June 2020:**

The Synthetic Currency FX Rate calculated on 30 May 2020 was BRL1:U.S.\$0.50.

The interest amount payable on 1 June 2020 will be U.S.\$ 27.50.

This figure is calculated as the fixed interest rate of 5.5 per cent. multiplied by the Calculation Amount of BRL 1,000, divided by the number of interest payments in a year (i.e.  $5.5 \text{ per cent.} \times \text{BRL } 1,000/1$ ) to give BRL 55.00.

The Synthetic Currency FX Rate is then applied to produce the interest payment amount (i.e.  $\text{BRL } 55.00 \times 0.5$ ).

**Amount payable on redemption:**

The Synthetic Currency FX Rate calculated on 30 May 2030 was BRL1:U.S.\$0.20.

The amount payable per Note will be U.S.\$200. This is calculated by multiplying 100 per cent. of the Calculation Amount per Note by the Synthetic Currency FX Rate (i.e.  $\text{BRL } 1,000 \times 0.2$ ). This amount is 43 per cent. of the price per Note originally paid by the investor.

**This example demonstrates a situation where a Noteholder may lose some of their investment on redemption due to the fluctuations in the underlying currency exchange rate. For further information see “Risks related to payment of Notes in an Alternative Currency or Payment Currency”.**

**WORKED EXAMPLE 3**

**Assumptions:**

- the Final Terms specify the Interest Basis to be ‘Fixed Rate’;
- the Final Terms specify the Fixed Coupon Amount to be ‘Not Applicable’;
- the Notes are issued on 3 July 2015;
- the fixed interest rate is 6 per cent. (per annum);
- there are four interest payment dates in each year over the life of the Notes;
- the Specified Currency is GBP;
- the Synthetic Asset Currency Conditions are stated to be ‘Not Applicable’;
- the Issue Price is 100 per cent. per Calculation Amount;
- the Final Terms state the Call Option to be ‘Applicable’
- the Final Terms state that the Optional Redemption Dates are ‘3 July 2020 and every Interest Payment Date thereafter’;
- The Final Terms specify that the Day Count Fraction is ‘30/360’;
- the Issuer elects to call the Notes on 3 July 2020; and
- the Optional Redemption Amount is GBP1,000 per Calculation Amount.

**Issue Price:**

The amount payable per Note will be 100 per cent. of the Calculation Amount = GBP 1,000.

**Interest amount payable:**

The interest amount payable on 3 January 2019 (interest period of 3 October 2018 to 2 January 2019) will be GBP 15.

This figure is calculated as the fixed interest rate of 6 per cent. multiplied by the Calculation Amount of GBP 1,000 multiplied by the day count fraction (i.e. 6 per cent.  $\times$  GBP 1,000  $\times$  90/360).

**Amount payable on early redemption:**

The amount payable per Note will be 100 per cent. of the Calculation Amount = GBP 1,000. This amount is 100 per cent. of the price per Note originally paid by the investor.

***Floating rate interest***

*Floating rate interest Notes pay a variable amount of interest on each interest payment date.*

*The rate of interest for each interest calculation period will be determined on the basis of a particular 'floating rate', which will be one of the following:*

- (a) *a rate determined in accordance with market-standard definitions published by the International Swaps and Derivatives Association, Inc. (an 'ISDA Rate'); or*
- (b) *a rate (or the mean of several rates) which appear(s) on a particular screen page of an information services provider (e.g. Bloomberg or Reuters) on or around the date when interest is calculated (a 'Screen Rate').*

*The relevant floating rate is determined on a fixed date in relation to an interest calculation period and is fixed for the duration of that period. This rate determines how much interest is paid on the interest payment date at the end of that interest calculation period. The floating rate is then recalculated in the same manner for the next interest calculation period.*

*A 'Margin' (which, if applicable, will be a percentage specified in the Final Terms) is either added to or subtracted from the floating rate to provide the applicable 'rate of interest'. For example, if the Margin is 1 per cent. and the floating rate for a particular interest calculation period is 5 per cent., the rate of interest will be 6 per cent.*

*This resulting rate of interest may be subject to a maximum or minimum rate of interest, if specified in the relevant Final Terms.*

***Interest calculation:***

On each interest payment date, you will receive an interest amount calculated by:

- (a) adding any specified Margin to the floating rate for the particular interest calculation period (determined as above), which will be subject to any specified maximum or minimum rate of interest; and then
- (b) multiplying the result of (a) above by the Calculation Amount and then by the applicable day count fraction.

The day count fraction represents the number of days in the relevant interest calculation period. For example, if the interest calculation period contains 181 days and the day count fraction 'rule' is Actual/365 (Fixed), the day count fraction will be calculated as 181/365.

### WORKED EXAMPLE 1

#### Assumptions:

- the Issue Price is 100 per cent. of the Calculation Amount;
- the floating rate is six-month GBP LIBOR, which is a 'Screen Rate' displayed on the corresponding Reuters 'Screen Page';
- the margin (used to increase or decrease the floating rate) is plus 1.00 per cent.;
- the rate of interest is subject to a minimum rate of 0 per cent. per annum and a maximum rate of 7 per cent. per annum;
- the day count fraction is 'Actual/365 (Fixed)', being the actual number of calendar days in the interest calculation period, divided by 365 days;
- the actual number of calendar days in the interest calculation period is 181; and
- the Redemption Basis is GBP1,000 per Calculation Amount.

#### Issue Price:

The amount payable per Note will be 100 per cent. of the Calculation Amount = GBP 1,000.

#### Interest amount payable:

- (a) if the floating rate for a given interest calculation period is determined by reference to the Relevant Screen Page to be 2.6 per cent. per annum:

the interest amount payable on the interest payment date will be equal to GBP 17.85 (rounded to two decimal places).

this figure is calculated as  $\text{GBP } 1,000 \times \text{rate of interest of } 3.6 \text{ per cent.} \times \text{day count fraction of } 181/365$  (i.e.  $\text{GBP } 1,000 \times 3.6 \text{ per cent.} \times 181/365 = \text{GBP } 17.85$ ). The rate of interest (3.6 per cent.) is calculated as the floating rate of 2.6 per cent. + Margin of 1.00 per cent. It is not affected by the minimum or maximum rate of interest; **OR**

- (b) if the floating rate for a given interest calculation period is determined by reference to the Relevant Screen Page to be 6.5 per cent. per annum:

the interest amount payable on the interest payment date will be equal to GBP 34.71 (rounded to two decimal places).

This figure is calculated as  $\text{GBP } 1,000 \times \text{rate of interest } 7 \text{ per cent.} \times \text{day count fraction of } 181/365$  (i.e.  $\text{GBP } 1,000 \times 7 \text{ per cent.} \times 181/365 = \text{GBP } 34.71$ ). The maximum rate of interest (7 per cent.) is used because the sum of the floating rate (6.5 per cent.) and the Margin (being 1 per cent.) is 7.5 per cent., which is greater than the maximum rate of interest of 7 per cent. In this scenario the rate of interest is capped at 7 per cent.

#### Amount payable on redemption:

The amount payable per Note will be 100 per cent. of the Calculation Amount = GBP 1,000. This amount is 100 per cent. of the price per Note originally paid by the investor.

### WORKED EXAMPLE 2

#### Assumptions:

- the Issue Price is 100 per cent. of the Calculation Amount;

- the floating rate is stated to be the ISDA Rate;
- the margin (used to upsize or downsize the floating rate) is plus 1.00 per cent.;
- the rate of interest is subject to a minimum rate of 0 per cent. per annum and a maximum rate of 7 per cent. per annum;
- the day count fraction is 'Actual/365 (Fixed)', being the actual number of calendar days in the interest calculation period, divided by 365 days;
- the actual number of calendar days in the interest calculation period is 179; and
- the Redemption Basis is GBP1,000 per Calculation Amount.

**Issue Price:**

The amount payable per Note will be 100 per cent. of the Calculation Amount = GBP 1,000.

**Interest amount payable:**

if the floating rate for a given interest calculation period is determined by reference to the ISDA Rate to be 1.7 per cent. per annum:

the interest amount payable on the interest payment date will be equal to GBP 13.24 (rounded to two decimal places).

this figure is calculated as  $\text{GBP } 1,000 \times \text{rate of interest of } 2.7 \text{ per cent.} \times \text{day count fraction of } 179/365$  (i.e.  $\text{GBP } 1,000 \times 2.7 \text{ per cent.} \times 179/365 = \text{GBP } 13.24$ ). The rate of interest (2.7 per cent.) is calculated as the floating rate of 1.7 per cent. + Margin of 1.00 per cent. It is not affected by the minimum or maximum rate of interest.

**Amount payable on redemption:**

The amount payable per Note will be 100 per cent. of the Calculation Amount = GBP 1,000. This amount is 100 per cent. of the price per Note originally paid by the investor.

**Zero coupon interest**

*Zero coupon Notes pay no interest over the life of the Note. They are issued at a substantial discount to final repayment value on redemption to provide a yield.*

**Interest calculation:**

- If the Final Terms specifies the 'Interest Basis' to be 'Zero Coupon' there will be no interest payments during the lifetime of the Notes.
- The Final Terms will specify the 'Redemption Basis' which will set out the amount to be paid on the Notes at their maturity, this will be higher than the amount paid for the Notes when issued.

**WORKED EXAMPLE**

**Assumptions:**

- the Final Terms specifies the Interest Basis to be 'Zero Coupon';
- the Issue Price is 80 per cent. of the Calculation Amount;
- the Notes were due to mature five years after they were issued; and
- the Redemption Basis is GBP1,000 per Calculation Amount.

**Issue Price:**

The amount payable per Note will be 80 per cent. of the Calculation Amount = GBP 800.

**Interest amount payable:**

No interest will be payable.

**Amount payable on redemption:**

The amount payable per Note will be 100 per cent. of the Calculation Amount = GBP 1,000. This amount is 125 per cent. of the price per Note originally paid by the investor.

## DOCUMENTS INCORPORATED BY REFERENCE

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

### *Lloyds Bank plc financial statements:*

- (i) The Bank's Annual Report and Accounts 2014 including the audited consolidated annual financial statements of the Bank for the financial year ended 31 December 2014, together with the audit report thereon, as set out on pages 13 to 158 and 11 to 12, respectively (the "**Bank's 2014 Annual Report**"); and
- (ii) The Bank's Annual Report and Accounts 2013 including the audited consolidated annual financial statements of the Bank for the financial year ended 31 December 2013, together with the audit report thereon, as set out on pages 13 to 172 and 11 to 12, respectively (the "**Bank's 2013 Annual Report**").

### *Lloyds Banking Group plc financial statements:*

- (i) The audited consolidated financial statements of the Company for the financial year ended 31 December 2014, together with the audit report thereon, as set out on pages 180 to 331 and 172 to 179, respectively, of the Company's Annual Report and Accounts 2014 (the "**Company's 2014 Annual Report**"); and
- (ii) The audited consolidated financial statements of the Company for the financial year ended 31 December 2013, together with the audit report thereon, as set out on pages 204 to 365 and 198 to 203, respectively, of the Company's Annual Report and Accounts 2013 (the "**Company's 2013 Annual Report**"),

all of which have been previously published and filed with the FCA and which shall be deemed to be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. Any documents or information themselves incorporated by reference in, or cross-referred to in, the documents incorporated by reference in this Prospectus shall not form part of this Prospectus unless also separately incorporated by reference above. In each case, where only certain sections of a document referred to above are incorporated by reference in the Prospectus, the parts of the document which are not incorporated by reference are either not relevant to prospective investors in the Notes or are covered elsewhere in this Prospectus.

The Company is a non-operating holding company which carries on all of its trading activities through its direct subsidiary, the Bank. Accordingly, save for the issuance and ongoing management of certain capital instruments by the Company and certain of its subsidiaries, the consolidated financial statements of the Company and the Bank are similar in all material respects.

The Issuers will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the oral or written request of such person, a copy of any or all of the documents which are incorporated in whole or in part by reference herein. Written or oral requests for such documents should be directed to either Issuer at its respective principal office set out at the end of this Prospectus. Copies of all documents incorporated by reference in this Prospectus can also be viewed on the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html).

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



to the Dealers in the Programme Agreement (as defined in “*Subscription and Sale*”) that they will comply with section 87G of the FSMA.

## **PRESENTATION OF FINANCIAL INFORMATION**

In this Prospectus, references to the “**consolidated financial statements**” or “**financial statements**” are to either Lloyds Banking Group’s consolidated financial statements included in the Company’s 2014 Annual Report or the Lloyds Bank Group’s consolidated financial statements included in the Bank’s 2014 Annual Report, as applicable, unless indicated otherwise.

The consolidated financial statements of each of the Company and the Bank incorporated by reference within the Prospectus have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as adopted by the EU.

## TERMS AND CONDITIONS OF THE NOTES

**Neither the Trust Deed constituting the Notes nor the Terms and Conditions of the Notes will contain any negative pledge covenant by the Issuers or any events of default other than those set out in Condition 9 below (which do not include, *inter alia*, a cross default provision).**

*The following is the text of the Terms and Conditions that, as completed in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Registered Notes and the Bearer Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the relevant Final Terms or (ii) these terms and conditions as so completed, shall be endorsed on the Bearer Notes or on the Certificates relating to Registered Notes. All capitalised terms that are not defined in the Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The issuer of the Notes is either Lloyds Bank plc or Lloyds Banking Group plc (the “**Company**”) (each an “**Issuer**” and together, the “**Issuers**”) as specified in the Final Terms. The Notes are constituted by a Trust Deed dated 9 April 2015 (as modified and/or supplemented and/or restated as at the date of issue of the first Tranche of the Notes (the “**Issue Date**”)), (the “**Trust Deed**”) between the Issuers and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An Agency Agreement dated 9 April 2015 (as modified and/or supplemented and/or restated as at the Issue Date, the “**Agency Agreement**”) has been entered into in relation to the Notes between the Issuers, the Trustee, Citibank, N.A., London Branch, as issuing and paying agent and the other agents named in it. The issuing and paying agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Issuing and Paying Agent**”, the “**Paying Agents**” (which expression shall, where the context so permits, include the Issuing and Paying Agent), the “**Registrar**”, the “**Transfer Agents**” (which expression shall, where the context so permits, include the Registrar) and the “**Calculation Agent(s)**”. Copies of the Trust Deed and the Agency Agreement are available for inspection free of charge during usual business hours at the registered office of the Trustee (being, for the time being, Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders, the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

For the purpose of these Terms and Conditions, the “**Issuer**” means the relevant Issuer specified in the Final Terms, being the issuer of the Notes. A “**Series**” means a series of Notes comprising one or more Tranches, whether or not issued on the same date, that (except in respect of the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same series number. “**Tranche**” means, in relation to a Series, those Notes of that Series that are issued on the same date at the same issue price and in respect of which the first payment of interest is identical. “**Final Terms**” means, in relation to a Tranche, the final terms issued specifying the relevant issue details of such Tranche, substantially in the form of Schedule C to the programme agreement dated 9 April 2015 between the Issuers, the co-arrangers and the other dealers named therein (the “**Final Terms**”).

## 1 Form, Denomination and Title

The Notes are issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) in each case in the Specified Denomination(s) specified in the Final Terms.

The Notes (i) bear interest calculated by reference to a fixed rate of interest (“**Fixed Rate Notes**”), (ii) bear interest by reference to a floating rate of interest (“**Floating Rate Notes**”) or (iii) are issued on a non-interest bearing basis (“**Zero Coupon Notes**”), as specified in the Final Terms.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Registered Notes are represented by registered certificates (“**Certificates**”).

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

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them in the Final Terms, the absence of any such meaning indicating that such term is not applicable to the Notes.

## 2 No Exchange of Notes and Transfers of Registered Notes

### (a) *No Exchange of Notes*

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

### (b) *Transfer of Registered Notes*

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate duly completed and executed and such other evidence as the Registrar or Transfer Agent may reasonably require to prove the title of the transferor. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) *Exercise of Options or Partial Redemption in Respect of Registered Notes*

In the case of an exercise of the Issuer's or a Noteholder's option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) *Delivery of New Certificates*

Each new Certificate to be issued pursuant to Condition 2(a), (b) or (c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 5(e)). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) *Transfer Free of Charge*

Transfer of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may reasonably require).

(f) *Closed Periods*

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 5(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

### **3 Status**

Subject to such exceptions as may be provided by mandatory provisions of applicable law, the Notes and the Coupons relating to them constitute unsecured and unsubordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer.

### **4 Interest and other Calculations**

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable, subject as provided herein, in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with this Condition 4.

(b) *Interest on Floating Rate Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4(f). Such Interest Payment Date(s) is/are either specified in the Final Terms as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are specified in the Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period specified in the Final Terms as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention*

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

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

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the Final Terms.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated in the Final Terms)

the Margin (if any). For the purposes of this sub-paragraph (A), “ISDA Rate” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified in the Final Terms;
- (y) the Designated Maturity is a period specified in the Final Terms; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the Final Terms.

provided that, if no Rate of Interest can be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined by the Calculation Agent in its sole and absolute discretion (though applying the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest, if any, relating to the Interest Accrual Period).

For the purposes of this sub-paragraph (A), “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity” and “Swap Transaction” have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(B) Screen Rate Determination for Floating Rate Notes

- (x) Where Screen Rate Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (i) the offered quotation; or
- (ii) the arithmetic mean of the offered quotations,

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

- (y) If the Relevant Screen Page is not available or if sub-paragraph (x)(i) above applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(ii) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is

EURIBOR, the principal Eurozone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.

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

(C) Linear Interpolation

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of



which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

**“Applicable Maturity”** means (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate and (b) in relation to ISDA Determination, the Designated Maturity.

(c) *Zero Coupon Notes*

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the due date for redemption, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield specified in the Final Terms.

(d) *Accrual of Interest*

Interest (if any) shall cease to accrue on each Note (or in the case of the redemption of part only of a Note, that part only of such Note) on the due date for redemption thereof unless (upon due presentation thereof where presentation is required), payment of principal is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event, interest shall continue to accrue or, in the case of Zero Coupon Notes, shall accrue (in each case, both before and after judgment) at the Rate of Interest in the manner provided in this Condition 4 to (but excluding) the Relevant Date (as defined in Condition 7).

(e) *Margin, Maximum Rate of Interest, Minimum Rates of Interest, Redemption Amounts and Rounding*

- (i) If any Margin is specified in the Final Terms (either (A) generally, or (B) in relation to one or more Interest Accrual Periods), an adjustment shall, unless the relevant Margin has already been taken into account in determining such Rate of Interest, be made to all Rates of Interest, in the case of (A), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (B), calculated in accordance with this Condition 4 by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin subject always (in the case of Floating Rate Notes only) to the next paragraph.
- (ii) If any Maximum Rate of Interest or Minimum Rate of Interest or Redemption Amount is specified in the Final Terms, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (A) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (B) all figures shall be rounded to seven significant figures (with halves being rounded up) and (C) all currency amounts that fall due and payable

shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of Yen, which shall be rounded down to the nearest Yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the country of such currency.

(f) *Calculations*

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

(g) *Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts*

The Calculation Agent shall as soon as practicable on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period calculate the Final Redemption Amount(s), Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount(s), Early Redemption Amount or Optional Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Registrar, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange or admitted to listing by another relevant authority and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 4(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the written consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and repayable under Condition 9, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each

determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding on all parties.

(h) *Determination or Calculation by Trustee*

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

(i) *Definitions*

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

**“Business Day”** means:

- (i) in the case of a currency other than euro and Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; or
- (ii) in the case of euro, a day on which the TARGET System is operating (a **“TARGET Business Day”**); or
- (iii) in the case of Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets in Hong Kong are open for business and settlement of Renminbi payments; and
- (iv) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in any Business Centre(s) specified in the Final Terms.

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

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

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

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

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

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

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

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (vi) if “**30E/360 (ISDA)**” is specified in the Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D<sub>2</sub>** will be 30; and

(vii) if “**Actual/Actual ICMA**” is specified in the Final Terms:

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in such Calculation Period divided by the product of:

(x) the number of days in such Determination Period; and

(y) the number of Determination Periods normally ending in any year; or

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (i) the number of days in such Determination Period and (ii) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (i) the number of days in such Determination Period and (ii) the number of Determination Periods normally ending in any year;

where:

“**Determination Period**” means the period from and including a Determination Date (as specified in the Final Terms) in any year to but excluding the next Determination Date; and

“**Determination Date**” means the date specified as such in the Final Terms or, if none is so specified, the Interest Payment Date.

“**euro**” means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

“**Eurozone**” means the region comprised of member states of the European Union that adopt or have adopted the single currency in accordance with the Treaty establishing the European Community, as amended.

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China.

“**HKMA**” means the Hong Kong Monetary Authority appointed pursuant to Section 5A of the Exchange Fund Ordinance (Cap. 66 of the Laws of Hong Kong) or its successors.

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

“**Interest Amount**” means:

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

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

“**Interest Determination Date**” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the Final Terms or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Renminbi or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is not Sterling, euro or Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

“**Interest Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date unless otherwise specified in the Final Terms.

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

“**ISDA Definitions**” means the 2006 ISDA Definitions, as amended and supplemented and published by the International Swaps and Derivatives Association, Inc. (or as otherwise specified in the Final Terms).

“**PRC**” means the People’s Republic of China which, for the purpose of these Terms and Conditions, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;

“**Rate of Interest**” means the rate of interest payable from time to time in respect of the Notes and that is either specified or calculated in accordance with the provisions in the Final Terms.

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

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

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

“**Relevant Time**” means, if the Reference Rate is LIBOR, approximately 11.00 a.m. (London time) or if the Reference Rate is EURIBOR, 11.00 a.m. (Brussels time) or as otherwise specified in the Final Terms.

“**Renminbi**” means the lawful currency of the People’s Republic of China.

“**Specified Currency**” means the currency specified in the Final Terms or, if none is specified, the currency in which the Notes are denominated.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System or any successor thereto.

(j) *Calculation Agent*

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the Final Terms and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent or, pursuant to Condition 4(h), the Trustee fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount(s), Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money or swap market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(k) *Nature of the Return*

Any interest paid to the Noteholder shall constitute consideration paid for the use of the principal and for the assumption of the risk that the Noteholder may not recover its original investment or that its return may be variable.

## 5 Redemption, Purchase and Options

### (a) *Final Redemption*

Unless previously redeemed or purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the Final Terms at its Final Redemption Amount(s) (which, unless otherwise provided in the Final Terms, is its nominal amount).

### (b) *Early Redemption*

#### (i) Zero Coupon Notes

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to Condition 5(c), Condition 5(d) or Condition 5(e) or upon it becoming due and repayable as provided in Condition 9, shall be the Amortised Face Amount (as defined and calculated below) of such Note unless otherwise specified in the Final Terms.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount(s) of such Note on the Maturity Date discounted back to the due date for payment at a rate per annum (expressed as a percentage) equal to the Amortisation Yield applied on a compounded or non-compounded basis as specified in the Final Terms (which, if none is specified in the Final Terms, shall be such rate (compounded annually) as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) (the “**Amortised Face Amount**”).
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 5(c), Condition 5(d) or Condition 5(e) or upon it becoming due and repayable as provided in Condition 9 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as calculated in accordance with sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the reference therein to the “due date for payment” were replaced by a reference to the date on which the relevant amount is actually paid. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the date such amount is paid, unless such date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount(s) of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 4(d).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction specified in the Final Terms.

#### (ii) Other Notes

The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 5(c), Condition 5(d) or Condition 5(e) shall be the Final Redemption Amount(s) unless otherwise specified in the Final Terms.



(c) *Redemption for Taxation Reasons*

The Issuer may at its option, having given not less than 30 nor more than 60 days' notice in accordance with Condition 14, redeem all, but not some only, of the Notes outstanding on (if the Notes are Floating Rate Notes) the next Interest Payment Date or (if the Notes are not Floating Rate Notes) at any time at the Early Redemption Amount, together with any accrued but unpaid interest up to (but excluding) the date fixed for redemption, if, at any time, the Issuer shall satisfy the Trustee (immediately prior to the giving of the notice referred to above) that a Tax Event has occurred.

The Issuer shall deliver to the Trustee an opinion of an independent lawyer or accountant satisfactory to the Trustee, in a form satisfactory to the Trustee, to the effect that a Tax Event exists. The Trustee may accept such opinion without any further inquiry as sufficient evidence of the existence of the circumstances required to be established in which event it shall be conclusive and binding on the Issuer, the Trustee, the Noteholders and the Couponholders, and the Trustee will not be responsible for any loss that may be occasioned by the Trustee's acting or relying on such opinion.

A "**Tax Event**" shall be deemed to have occurred if:

as a result of a Tax Law Change:

- (A) in making payment under the Notes, the Issuer has or would on or before the next Interest Payment Date or the Maturity Date become obliged to pay additional amounts under Condition 7 (and such obligation cannot be avoided by the Issuer taking reasonable measures available to it);
- (B) the payment of interest on the next Interest Payment Date or the Maturity Date in respect of any of the Notes would be treated as a "distribution" within the meaning of Chapter 2 of Part 23 of the Corporation Tax Act 2010 of the United Kingdom (or any statutory modification or re-enactment thereof for the time being); and/or
- (C) on the next Interest Payment Date or the Maturity Date the Issuer would not be entitled to claim a deduction in respect of any payments in respect of the Notes in computing its United Kingdom taxation liabilities (or the value of such deduction to the Issuer would be materially reduced).

In these Conditions, "**Tax Law Change**" means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any authority thereof or therein having the power to tax, including any treaty to which the United Kingdom is a party, or any change in the application or official or generally published interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority, which change or amendment (x) (subject to (y)) becomes, or would become, effective on or after the Issue Date, or (y) in the case of a change or proposed change in law, if such change is enacted (or, in the case of a proposed change, is expected to be enacted), on or after the Issue Date.

(d) *Redemption at the Option of the Issuer*

If Call Option is specified in the Final Terms, the Issuer may at its option, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders and the Trustee (or such other notice period as may be specified in the Final Terms), redeem all or, if so provided, some only of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at

their Optional Redemption Amount specified in the Final Terms (which may be the Early Redemption Amount (as described in Condition 5(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the Final Terms and no greater than the Maximum Redemption Amount to be redeemed specified in the Final Terms.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption, the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws, stock exchange requirements or the requirements of any other relevant authority.

*(e) Redemption at the Option of Noteholders*

If Put Option is specified in the Final Terms, the Issuer shall, at the option of the holder of any Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the Final Terms), redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified in the Final Terms (which may be the Early Redemption Amount (as described in Condition 5(b) above)), together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

*(f) Purchases*

The Issuer or any of its subsidiaries or any holding company of the Issuer or any other subsidiary of any such holding company may at any time, but is not obliged to, purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. Any Notes so purchased or otherwise acquired may, at the Issuer's discretion, be held or resold or surrendered for cancellation.

*(g) Cancellation*

All Notes purchased by or on behalf of the Issuer or any of its subsidiaries or any holding company of the Issuer or any other subsidiary of any such holding company may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and

unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

## **6 Payments and Talons**

### *(a) Bearer Notes*

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (and, in the case of interest, as specified in Condition 6(f)(v)) or Coupons (in the case of interest, save as specified in Condition 6(f)(ii)), as the case may be:

- (i) in the case of a currency other than euro or Renminbi, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a bank in the principal financial centre for such currency;
- (ii) in the case of euro, at the specified office of any Paying Agent outside the United States by a cheque payable in euro drawn on, or, at the option of the holder, by transfer to an account denominated in euro with, a bank in a city in which banks have access to the TARGET System; and
- (iii) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

### *(b) Registered Notes*

- (i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
- (ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made:
  - (a) in the case of a currency other than Renminbi, in the relevant currency by a cheque drawn on a bank in the principal financial centre of such currency, subject as provided in paragraph (a) above, and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date and subject as provided in paragraph (a) above, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in the principal financial centre of such currency; and
  - (b) in the case of Renminbi, by transfer to the registered account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

(c) *Payments in the United States*

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

(d) *Payments subject to Fiscal Laws*

Save as provided in Condition 7, payments will be subject in all cases to any other applicable fiscal or other laws and regulations in the place of payment or other laws and regulations to which the Issuer or its respective Agents agree to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws or regulations.

No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments. The Issuer reserves the right to require a Noteholder or Couponholder to provide a Paying Agent, the Registrar or a Transfer Agent with such certification or information as may be required to enable the Issuer to comply with the requirements of the United States federal income tax laws or any agreement between the Issuer and any taxing authority.

(e) *Appointment of Agents*

The Issuing and Paying Agent, the other Paying Agents, the Registrar and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. Subject as provided in the Trust Deed and the Agency Agreement, the Issuing and Paying Agent, the other Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes which may be the Registrar, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) a Paying Agent having a specified office in Europe, which, so long as the Notes are listed on the official list (the “**Official List**”) of the designated competent authority from time to time under the Financial Services and Markets Act 2000 (the “**UK Listing Authority**”) and are admitted to trading on the London Stock Exchange plc’s Regulated Market, shall be in London, (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed, in each case as approved by the Trustee and (vii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders by the Issuer in accordance with Condition 14.

(f) *Unmatured Coupons and unexchanged Talons*

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than any Fixed Rate Notes where the total value of the unmatured coupons appertaining thereto exceeds the nominal amount of such Note), such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount(s), Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 8).
- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note or (where the total value of the unmatured coupons exceeds the minimal amount of such Note) a Fixed Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons and any unexchanged Talon relating to it, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) *Talons*

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 8).

(h) *Non-Business Days*

If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph and paragraph 6(i) (*Payment of Alternative Currency Equivalent*) below, “**business day**” means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “Additional Financial Centres” in the Final Terms and:

- (i) (in the case of a payment in a currency other than euro or Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
- (ii) (in the case of a payment in Renminbi) on which commercial banks and foreign exchange markets in Hong Kong are open for business and settlement of Renminbi payments; or
- (iii) (in the case of a payment in euro) which is a TARGET Business Day.

(i) *Payment of Alternative Currency Equivalent*

Where Alternative Currency Equivalent is specified in the relevant Final Terms as being applicable to a Series of Notes, if (following a written request from the Issuer that the Alternative Currency Adjudication Agent makes a determination pursuant to this Condition 6(i)), by reason of a Scheduled Payment Currency Disruption Event, it would, in the opinion of the Alternative Currency Adjudication Agent, be commercially impracticable for the Issuer to satisfy any payment obligation in respect of the Notes when due in the Scheduled Payment Currency, then the Issuer may take the action described in paragraph (i), (ii), (iii) or (iv) below:

- (i) determine that the relevant payment of the Issuer in respect of the Notes be postponed to a date which falls after the date on which the relevant Scheduled Payment Currency Disruption Event ceases to exist (in the determination of the Alternative Currency Adjudication Agent) provided that such postponement does not exceed the number of Business Days (such number, the “**Maximum Days of Postponement**”) specified in the relevant Final Terms, or, if that would not be commercially reasonable, as soon as commercially reasonable thereafter, in which case the relevant payment will be due on the date as so postponed, without any interest or other sum payable in respect of the postponement of the payment of such amount;
- (ii) determine that the Issuer’s obligation to make any payment in respect of the Notes in the Scheduled Payment Currency be replaced by an obligation to make payment of the Alternative Currency Equivalent of such payment, in which case, it will settle any such obligation by payment of the relevant Alternative Currency Equivalent on the due date for payment;
- (iii) determine that the relevant payment in respect of the Notes be postponed to a date which falls after the date on which the relevant Scheduled Payment Currency Disruption Event ceases to exist (in the determination of the Alternative Currency Adjudication Agent) provided that such postponement does not exceed the Maximum Days of Postponement after the date on which the relevant Scheduled Payment Currency Disruption Event

ceases to exist, or, if, in the determination of the Alternative Currency Adjudication Agent, that would not be commercially reasonable, as soon as commercially reasonable thereafter (such postponed payment date, the “**Postponed Payment Date**”), and that the Issuer’s obligation to make payment in respect of the Notes in the Scheduled Payment Currency be replaced by an obligation to make payment of the Alternative Currency Equivalent, in which case, it will settle any such obligation by payment of the relevant Alternative Currency Equivalent on the Postponed Payment Date, without any interest or other sum payable in respect of the postponement of the payment of such amount; or

- (iv) give notice to the Noteholders in accordance with Condition 14 and redeem all, but not some only, of the Notes on a date selected by the Issuer, by payment of the Alternative Currency Equivalent of, or, if so specified in such notice, an amount in the Scheduled Payment Currency equal to, the Early Redemption Amount. Payment will be made in such manner as shall be notified to the Noteholders in accordance with Condition 14.

Any payment made in the Alternative Currency under such circumstances will constitute valid payment, and will not constitute a default in respect of the Notes.

Upon the occurrence of a Scheduled Payment Currency Disruption Event and the Alternative Currency Adjudication Agent making a determination that, by reason of such Scheduled Payment Currency Disruption Event, it would, in the opinion of the Alternative Currency Adjudication Agent, be commercially impracticable for the Issuer to satisfy its payment obligations in respect of the Notes when due in the Scheduled Payment Currency, the Issuer shall give notice as soon as practicable to Noteholders in accordance with Condition 14 stating the occurrence of the Scheduled Payment Currency Disruption Event, giving details thereof and the action proposed to be taken in relation thereto.

In making any determination in respect of any Scheduled Payment Currency Disruption Event, neither the Issuer nor the Alternative Currency Adjudication Agent shall have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number), and, in particular, but without limitation, shall not have regard to the consequences of any such determination for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and no Noteholder shall be entitled to claim from the Issuer, the Alternative Currency Adjudication Agent or any other person any indemnification or payment in respect of any tax consequences of any such determination upon individual Noteholders.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6(i) by the Issuer or the Alternative Currency Calculation Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agents and all Noteholders.

As used herein:

“**Affiliate**” is to, in relation to any entity (the “**First Entity**”), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity directly or indirectly under common control with the First Entity, where, for these purposes, “**control**” means ownership of a majority of the voting power of an entity;

**“Alternative Currency”** means the currency specified as such in the relevant Final Terms (or any lawful successor currency to that currency), or, if no Alternative Currency is specified in the relevant Final Terms, U.S. dollars;

**“Alternative Currency Adjudication Agent”** means the Alternative Currency Adjudication Agent specified in the relevant Final Terms (or any lawful successor to the Alternative Currency Adjudication Agent);

**“Alternative Currency Calculation Agent”** means the Alternative Currency Calculation Agent specified in the relevant Final Terms (or any lawful successor thereto);

**“Alternative Currency Equivalent”** means, (i) where the Alternative Currency is U.S. dollars, in respect of an amount denominated in the Scheduled Payment Currency, such amount converted into the Alternative Currency using the Spot Rate for the relevant Rate Calculation Date, all as determined by the Alternative Currency Calculation Agent, and (ii) where the Alternative Currency is a currency other than U.S. dollars, in respect of an amount denominated in the Scheduled Payment Currency, such amount converted into the Alternative Currency by (a) converting such amount into an amount expressed in U.S. dollars using the Spot Rate for the relevant Rate Calculation Date, and (b) multiplying the resultant U.S. dollar amount by the USD Spot Rate for the relevant Rate Calculation Date, all as determined by the Alternative Currency Calculation Agent;

**“Governmental Authority”** means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of the Scheduled Payment Currency Jurisdiction;

**“Illiquidity”** means (i) in respect of any payment obligation in respect of the Notes of any sum, foreign exchange markets for the Scheduled Payment Currency becoming illiquid (including, without limitation, the existence of any significant price distortion) or unavailable as a result of which it is impossible or, in the opinion of the Alternative Currency Adjudication Agent, commercially impracticable for the Issuer and/or any of its Affiliates to obtain a sufficient amount of the Scheduled Payment Currency in order to satisfy any such obligation or (ii) it becomes impossible or impracticable to obtain a firm quote for exchange of the Scheduled Payment Currency into the Alternative Currency, in each case, as determined by the Alternative Currency Adjudication Agent in its sole and absolute discretion;

**“Inconvertibility”** means, in respect of any payment or obligation in respect of the Notes, the occurrence of any event that makes it impossible, illegal or, in the opinion of the Alternative Currency Adjudication Agent, commercially impracticable for the Issuer and/or any of its Affiliates to convert any amount due in respect of the Notes in the foreign exchange markets for the Scheduled Payment Currency (including, without limitation, any event that has the direct or indirect effect of hindering, limiting or restricting convertibility by way of any delays, increased costs or discriminatory rates of exchange or any current or future restrictions on repatriation of one currency into another currency) other than where such impossibility or impracticability is due solely to the failure of the Issuer and/or any of its Affiliates to comply with any law, rule or regulation enacted by any relevant Governmental Authority (unless such law, rule or regulation becomes effective on or after the Trade Date and it is impossible or, in the opinion of the Alternative Currency Adjudication Agent, commercially impracticable for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);



**“Non-transferability”** means, in respect of any payment obligation in respect of the Notes, the occurrence of any event that makes it impossible or, in the opinion of the Alternative Currency Adjudication Agent, commercially impracticable for the Issuer and/or any of its Affiliates to transfer the Scheduled Payment Currency in relation to any such payment obligation between accounts inside the Scheduled Payment Currency Jurisdiction or between an account inside the Scheduled Payment Currency Jurisdiction and an account outside the Scheduled Payment Currency Jurisdiction, other than where such impossibility or impracticability is due solely to the failure of the Issuer and/or any of its Affiliates to comply with any law, rule or regulation enacted by any relevant Governmental Authority (unless such law, rule or regulation becomes effective on or after the Trade Date and it is impossible or, in the opinion of the Alternative Currency Adjudication Agent, commercially impracticable for the Issuer and/or any of its Affiliates, due to an event beyond its control, to comply with such law, rule or regulation;

**“Rate Calculation Business Day”** means, unless otherwise specified in the relevant Final Terms, a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in the Rate Calculation Jurisdiction;

**“Rate Calculation Date”** means the day which is the number of Rate Calculation Business Days specified in the relevant Final Terms (which shall be two Rate Calculation Business Days where the Scheduled Payment Currency is Renminbi) before the due date for payment of the relevant amount under the Notes or, unless specified otherwise in the relevant Final Terms, if the relevant Spot Rate is not available on such day, the last preceding Rate Calculation Business Day on which the relevant Spot Rate was most recently available, as determined by the Alternative Currency Calculation Agent;

**“Rate Calculation Jurisdiction”** means the jurisdiction(s) specified in the Final Terms, which shall include the Eurozone where the Scheduled Payment Currency is euro or Hong Kong where the Scheduled Payment Currency is Renminbi;

**“Scheduled Payment Currency”** means, the Specified Currency;

**“Scheduled Payment Currency Disruption Event”** means, in respect of a Scheduled Payment Currency:

- (i) Inconvertibility;
- (ii) Non-transferability;
- (iii) Illiquidity;
- (iv) the Issuer and/or any of its Affiliates is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) the Issuer deems necessary to hedge the currency risk of the Issuer issuing and performing its obligations with respect to the Notes or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s); and/or
- (v) any other event specified as a Scheduled Payment Currency Disruption Event in the relevant Final Terms;

**“Scheduled Payment Currency Jurisdiction”** means (i) other than in the case of euro or Renminbi, the primary jurisdiction for which the Scheduled Payment Currency is the lawful currency, (ii) in the case of euro, the Eurozone or (iii) in the case of Renminbi, Hong Kong;

**“Settlement Rate Option”** means, as specified in the relevant Final Terms, (i) such **“Settlement Rate Options”** as may be included from time to time in Annex A to the 1998 FX and Currency Option Definitions, published by the International Swaps and Derivatives Association, Inc., the Emerging Markets Traders Association and the Foreign Exchange Committee or (ii) if “Alternative Currency Calculation Agent Determination” is specified as the Settlement Rate Option in the relevant Final Terms, such rate for the exchange of the Scheduled Payment Currency into U.S. dollars as determined by the Alternative Currency Calculation Agent, taking into consideration all available information that it deems relevant;

**“Spot Rate”** means, in respect of a Rate Calculation Date, the spot exchange rate for the purchase of U.S. dollars with the Scheduled Payment Currency determined in accordance with the Settlement Rate Option, provided that if such Spot Rate is not available, then the Alternative Currency Calculation Agent will determine the Spot Rate (or a method for determining the Spot Rate), taking into consideration all available information that it deems relevant;

**“Trade Date”** means each date on which the Issuer concludes an agreement with one or more Dealers for the issue and sale of Notes which, in the case of a syndicated issue, shall be the execution date of the relevant subscription agreement;

**“USD Settlement Rate Option”** means, as specified in the relevant Final Terms, the USD Settlement Rate Option derived from such other **“Settlement Rate Options”**, as may be included from time to time in Annex A to the 1998 FX and Currency Option Definitions, published by the International Swaps and Derivatives Association, Inc., the Emerging Markets Traders Association and the Foreign Exchange Committee or if “Alternative Currency Calculation Agent Determination” is specified as the USD Settlement Rate Option in the relevant Final Terms, such rate for the exchange of U.S. dollars into the Alternative Currency as determined by the Alternative Currency Calculation Agent, taking into consideration all available information that it deems relevant; and

**“USD Spot Rate”** means, for a Rate Calculation Date, the spot exchange rate for the purchase of the Alternative Currency with U.S. dollars in accordance with the USD Settlement Rate Option specified, provided that if such USD Spot Rate is not available, then the Alternative Currency Calculation Agent will determine the USD Spot Rate (or a method for determining the USD Spot Rate), taking into consideration all available information that it deems relevant.

(j) *Synthetic Currency Notes*

(a) Payments in Payment Currency

If the Synthetic Currency Asset Conditions are specified in the relevant Final Terms as being applicable, notwithstanding the Notes being denominated in the Specified Currency, all payments in respect of the Notes shall be made in the Payment Currency.

The Calculation Agent will determine the amount to be paid in the Payment Currency by applying the Synthetic Currency FX Rate to the amount that would have been payable (in the Specified Currency) were it not for this Condition 6(j).

Such payment shall be made on the date such payment would be otherwise be payable were it not for this Condition 6(j), provided that, if the Rate Calculation Date is postponed in accordance with the provisions below, such payment shall be made the Number of Rate Calculation Business Days after the Rate Calculation Date (as so postponed). No additional interest shall be payable in respect of any such delay.

Condition 6(h) shall apply to such payment.

(b) Synthetic Currency FX Disruption Provisions

(1) Consequences of Disrupted Days

If the Calculation Agent determines that any Rate Calculation Date is a Disrupted Day, the Calculation Agent shall determine the Synthetic Currency FX Rate in respect of such Rate Calculation Date in accordance with the first applicable Disruption Fallback (applied in accordance with its terms). If “Unscheduled Holiday” is specified in the relevant Final Terms to be applicable, the references to “Rate Calculation Date” in the foregoing sentence shall be deemed to mean the Rate Calculation Date as postponed in accordance with Condition 6(j)(c)(1) below.

(2) Disruption Fallbacks

(i) Calculation Agent Determination

**“Calculation Agent Determination”** means, in respect of a Synthetic Currency FX Rate which is affected by the occurrence of a Disrupted Day, that the Calculation Agent will determine such Synthetic Currency FX Rate (or a method for determining such Synthetic Currency FX Rate) in respect of such Disrupted Day, taking into consideration all available information that in good faith it deems relevant.

(ii) Fallback Reference Price

**“Fallback Reference Price”** means, in respect of a Synthetic Currency FX Rate which is affected by the occurrence of a Disrupted Day, that the Calculation Agent will determine such Synthetic Currency FX Rate in respect of such Disrupted Day pursuant to the alternate Settlement Rate Option(s) or FX Price Source(s), if any, specified as Fallback Reference Price(s) in the relevant Final Terms (in the order such Fallback Reference Price(s) appear in the relevant Final Terms, until a rate has been determined or all Fallback Reference Price(s) have been used).

(iii) Currency-Reference Dealers

**“Currency-Reference Dealers”** means, in respect of a Synthetic Currency FX Rate which is affected by the occurrence of a Disrupted Day, that the Calculation Agent will request each of at least four leading dealers, banks or banking corporations which deal in the relevant exchange market (as selected by the Calculation Agent) to provide a quotation of its rate at which it will buy one unit of the Specified Currency in units of the Payment Currency at the applicable Synthetic Currency Valuation Time on such Disrupted Day. If, for any such rate, at least two quotations are provided, the relevant rate will be the arithmetic mean of the quotations. If fewer than two quotations are provided for any such rate, the relevant rate will be the arithmetic mean of the relevant rates quoted by major banks in the relevant market, selected by the Calculation Agent at or around the applicable Synthetic Currency Valuation Time on such Disrupted Day.

(iv) Other Published Sources

**“Other Published Sources”** means, in respect of a Synthetic Currency FX Rate which is affected by the occurrence of a Disrupted Day, that the Calculation Agent will determine such Synthetic Currency FX Rate in respect of such Disrupted Day on the basis of the exchange rate for one unit of the Specified Currency in terms of the Payment Currency published by available recognised financial information vendors (as selected by the Calculation Agent) other than the applicable Synthetic Currency FX Price Source, at or around the applicable Synthetic Currency Valuation Time on such Disrupted Day.

(v) Postponement

**“Postponement”** means, in respect of a Synthetic Currency FX Rate, that if the Calculation Agent determines that any Rate Calculation Date is a Disrupted Day for such Synthetic Currency FX Rate, then the Rate Calculation Date shall be the first succeeding Synthetic Currency FX Business Day that is not a Disrupted Day, unless the Calculation Agent determines that each of the consecutive Synthetic Currency FX Business Days equal in number to the Maximum Days of Postponement immediately following such Rate Calculation Date is a Disrupted Day. In that case:

- (A) that last consecutive Synthetic Currency FX Business Day shall be deemed to be the Rate Calculation Date (notwithstanding the fact that such day may be a Disrupted Day); and
- (B) the next Disruption Fallback specified in the relevant Final Terms in respect of such Synthetic Currency FX Rate shall apply.

(vi) Yen Calculation Agent Determination

**“Yen Calculation Agent Determination”** means, where the Payment Currency is Yen, the Calculation Agent shall determine the Synthetic Currency FX Rate by requesting each of the FX Reference Banks, to provide a quotation for the Synthetic Currency FX Rate. If five or four such quotations are provided as requested, after disregarding the highest of such quotations and the lowest of such quotations (provided that, if two or more such quotations are the highest such quotations, then only one of such quotations shall be disregarded, and if two or more such quotations are the lowest quotations then only one of such lowest quotations shall be disregarded), the applicable rate shall be determined by the Calculation Agent as the arithmetic mean (rounded to the nearest five decimal places, with 0.000005 being rounded upwards) of the remaining such quotations for such rate. If only three or two quotations are so provided, then the Synthetic Currency FX Rate shall be the arithmetic mean (rounded to the nearest five decimal places, with 0.000005 being rounded upwards) of such quotations. If only one quotation is available, in that event, the Calculation Agent may determine that such quotation shall be the Synthetic Currency FX Rate, alternatively, the Calculation Agent can determine that the single quotation is not suitable. If the single quotation is not suitable or no such quotation is available or if the Calculation Agent

determines in its sole discretion that no suitable FX Reference Bank which is prepared to quote is available, the Calculation Agent will determine the Synthetic Currency FX Rate in its sole discretion, acting in good faith and in a commercially reasonable manner.

(vii) Cross Rate Fallback

“**Cross Rate Fallback**” means, in respect of a Synthetic Currency FX Rate in respect of which FX Price Source Determination is specified to be applicable but Cross Rate is not specified to be applicable, that the Calculation Agent will determine such Synthetic Currency FX Rate as if Cross Rate had been specified to be applicable and the Crossing Currency were the Fallback Crossing Currency.

(c) EM Currency Provisions

(1) Unscheduled Holiday

If “Unscheduled Holiday” is specified to be applicable in the relevant Final Terms in respect of a Synthetic Currency FX Rate, if the Calculation Agent determines that a Rate Calculation Date is an Unscheduled Holiday in respect of the Synthetic Currency FX Rate, then the Rate Calculation Date in respect of such Synthetic Currency FX Rate shall be the first succeeding Synthetic Currency FX Business Day which is not an Unscheduled Holiday, unless the Calculation Agent determines that such first Synthetic Currency FX Business Day has not occurred on or before the date falling the Maximum Days of Unscheduled Holiday Postponement immediately following such Rate Calculation Date. In that case, the next day after that period that would be a Synthetic Currency FX Business Day but for an Unscheduled Holiday shall be deemed to be the Rate Calculation Date (such day, the “**Adjusted Rate Calculation Date**”).

(2) Additional Disruption Fallbacks

In addition to the Disruption Fallbacks set out in Condition 6(j)(b)(2) above, the relevant Final Terms may also specify any of the following additional Disruption Fallbacks to apply in respect of a Synthetic Currency FX Rate:

(i) EM Valuation Postponement

“**EM Valuation Postponement**” means, in respect of a Synthetic Currency FX Rate (which term shall include, where the relevant Final Terms provides that the prior applicable Disruption Fallback is “Fallback Reference Price”, the Synthetic Currency FX Rate determined using the applicable Fallback Reference Price), that if the Calculation Agent determines that any Rate Calculation Date is a Disrupted Day in respect of such Synthetic Currency FX Rate, then the Rate Calculation Date shall be the first succeeding Synthetic Currency FX Business Day which is not a Disrupted Day, unless the Calculation Agent determines that no such Synthetic Currency FX Business Day has occurred on or before the Maximum Days of EM Valuation Postponement immediately following such Rate Calculation Date. In that case:

- (a) the next Synthetic Currency FX Business Day after the EM Valuation Longstop Date shall be deemed to be the Rate Calculation Date (notwithstanding the fact that such day may be a Disrupted Day); and
- (b) the next Disruption Fallback specified in the relevant Final Terms in respect of such Synthetic Currency FX Rate shall apply.

(ii) EM Valuation Fallback Postponement

**“EM Valuation Fallback Postponement”** means, in respect of a Synthetic Currency FX Rate (which term shall include, where the relevant Final Terms provides that the prior applicable Disruption Fallback is “Fallback Reference Price”, the Synthetic Currency FX Rate determined using the applicable Fallback Reference Price), that if the Calculation Agent determines that the Synthetic Currency FX Rate (as determined by reference to the applicable Fallback Reference Price) is not available (a) on the first Synthetic Currency FX Business Day following the end of the Maximum Days of EM Valuation Postponement (where a Synthetic Currency FX Disruption Event has occurred or exists in respect of the Synthetic Currency FX Rate throughout the Maximum Days of EM Valuation Postponement) or (b) on the Adjusted Rate Calculation Date, then the Rate Calculation Date shall be the first succeeding Synthetic Currency FX Business Day which is not a Disrupted Day, unless the Calculation Agent determines that no such Synthetic Currency FX Business Day has occurred on or before the Maximum Days of EM Valuation Fallback Postponement immediately following such first Synthetic Currency FX Business Day following the end of the Maximum Days of EM Valuation Postponement or the Adjusted Rate Calculation Date, as the case may be. In that case:

- (a) the next Synthetic Currency FX Business Day after the EM Valuation Fallback Longstop Date shall be deemed to be the Rate Calculation Date (notwithstanding the fact that such day may be a Disrupted Day); and
- (b) the next Disruption Fallback specified in the relevant Final Terms in respect of such Synthetic Currency FX Rate shall apply.

(3) Cumulative Events

If “Cumulative Events” is specified to be applicable in the relevant Final Terms in respect of a Synthetic Currency FX Rate (which term shall include, where the relevant Final Terms provides that the prior applicable Disruption Fallback is “Fallback Reference Price”, the Synthetic Currency FX Rate determined using the applicable Fallback Reference Price), then the total number of consecutive calendar days during which such Rate Calculation Date is deferred due to (i) an Unscheduled Holiday, (ii) an EM Valuation Postponement or (iii) an EM Valuation Fallback Postponement (or any combination of (i), (ii) and (iii)), shall not exceed the Maximum Days of Cumulative Postponement in the aggregate.

Accordingly, if by the operation of the above paragraph, a Rate Calculation Date is postponed by the number of calendar days equal to the Maximum Days of Cumulative Postponement, then such Rate Calculation Date shall be the Cumulative Longstop Date. If such Cumulative Postponement Longstop Date is a Disrupted Day or an Unscheduled Holiday, then the Calculation Agent shall determine the Synthetic Currency FX Rate in respect of such Cumulative Postponement Longstop Date in accordance with the next applicable Disruption Fallback.

(d) Definitions

**“1998 ISDA FX Definitions”** means the 1998 ISDA FX and Currency Option Definitions, as published by the International Swaps and Derivatives Association, Inc., and in respect of the Notes, as amended and supplemented up to and including the Issue Date of the first Tranche of the Notes.

**“Adjusted Rate Calculation Date”** has the meaning given to it in Condition 6(j)(c)(1).

**“Calculation Agent Determination”** has the meaning given to it in Condition 6(j)(b)(2)(i).

**“Crossing Currency”** means the currency specified as such in the relevant Final Terms or, if no currency is so specified, U.S. Dollars.

**“Crossing-Payment Currency FX Rate”** means either:

- (i) if “ISDA Determination” is specified to be applicable in the relevant Final Terms in respect of the Crossing-Payment Currency FX Rate, the Spot Rate or Settlement Rate (as applicable) that would be determined by the Calculation Agent under an FX Transaction governed by an ISDA Master Agreement which incorporates the 1998 ISDA FX Definitions and under which:
  - (a) the Settlement Rate Option is as specified in the relevant Final Terms; and
  - (b) the Rate Calculation Date is the applicable Rate Calculation Date; or
- (ii) if “FX Price Source Determination” is specified to be applicable in the relevant Final Terms in respect of the Crossing-Payment Currency FX Rate, the exchange rate of the Crossing Currency into the Payment Currency (and, if the relevant Final Terms specify a Number of FX Settlement Days, for settlement in a number of FX Settlement Days equal to the Number of FX Settlement Days), which appears on the FX Price Source at approximately the applicable Crossing-Payment Currency Valuation Time on the relevant Rate Calculation Date, provided that if the exchange rate which appears on the FX Price Source is the exchange rate for the conversion of the Payment Currency into the Crossing Currency, the Crossing-Payment Currency FX Rate shall be the reciprocal number (rounded, if Reciprocal Rounding is specified in the relevant Final Terms to be applicable in respect of the Crossing-Payment Currency FX Rate, to the Number of Reciprocal Rounding Places, with half of the relevant unit being rounded upwards) of such exchange rate.

For the purposes of sub-paragraph (i), “FX Transaction”, “Settlement Rate”, “Settlement Rate Option” and “Spot Rate” have the meanings given to them in the 1998 ISDA FX Definitions.

**“Crossing-Payment Currency Valuation Time”** means the time specified as such in the relevant Final Terms or, if no time is specified as such, the time selected by the Calculation Agent.

**“Cumulative Events”** has the meaning given to it in Condition 6(j)(c)(3).

**“Cumulative Longstop Date”** means, in respect of any postponement by a number of days equal to the Maximum Days of Cumulative Postponement, the last day of such postponement.

**“Currency”** has the meaning given to it in the 1998 ISDA FX Definitions.

**“Currency-Reference Dealers”** has the meaning given to it in Condition 6(j)(b)(2)(iii).

**“Disrupted Day”** means any day on which a Synthetic Currency FX Disruption Event occurs.

**“Disruption Fallback”** means, in respect of a Synthetic Currency FX Rate, Calculation Agent Determination, Fallback Reference Price, Currency-Reference Dealers, Other Published Sources, Postponement, Yen Calculation Agent Determination, Cross Rate Fallback, EM Valuation Postponement, EM Valuation Fallback Postponement. The applicable Disruption Fallback in respect of a Synthetic Currency FX Rate shall be as specified in the relevant Final Terms, and if two or more Disruption Fallbacks are specified, unless otherwise provided in the relevant Final Terms, such Disruption Fallbacks shall apply in the order in which they are specified, such that if the Calculation Agent determines that the Synthetic Currency FX Rate cannot be determined by applying one Disruption Fallback, then the next Disruption Fallback specified shall apply.

**“EM Valuation Fallback Longstop Date”** means, in respect of any postponement by a number of days equal to the Maximum Days of EM Valuation Fallback Postponement, the last day of such postponement.

**“EM Valuation Fallback Postponement”** has the meaning given to it in Condition 6(j)(c)(2)(ii) above.

**“EM Valuation Longstop Date”** means, in respect of any postponement by a number of days equal to the Maximum Days of EM Valuation Postponement, the last day of such postponement.

**“EM Valuation Postponement”** has the meaning given to it in Condition 6(j)(c)(2)(i) above.

**“Fallback Crossing Currency”** means the currency specified as such in the relevant Final Terms or, if no currency is so specified, U.S. Dollars.

**“Fallback Reference Price”** has the meaning given to it in Condition 6(j)(b)(2)(ii).

**“FX Price Source”** means, in respect of a Synthetic Currency FX Rate or a Crossing-Payment Currency FX Rate or a Specified-Crossing Currency FX Rate, the price source(s) (if any) specified as such in the relevant Final Terms for such Synthetic Currency FX Rate or, if the relevant rate is not published or announced by such FX Price Source at the relevant time, the successor or alternative price source or page/publication



for the relevant rate as determined by the Calculation Agent in its sole and absolute discretion.

**“FX Reference Banks”** means (i) the institutions specified as such in the relevant Final Terms; or (ii) if any of the institutions specified as such in the relevant Final Terms have ceased to exist or quote relevant rates or prices, whether because of merger or otherwise, those institutions specified that continue to exist and quote relevant rates and prices together with such additional number of institutions selected by the Calculation Agent, as is required to increase the number of existing and quoting institutions to the number of institutions originally specified; (iii) if institutions are not specified in the relevant Final Terms, five leading institutions in the relevant currency and foreign exchange markets selected by the Calculation Agent.

**“FX Settlement Business Centre”** means any additional financial centre relevant for the purposes of determining FX Settlement Days, as specified in the relevant Final Terms.

**“FX Settlement Days”** means a day on which commercial banks and foreign exchange markets settle payments in London and each FX Settlement Business Centre specified in the relevant Final Terms.

**“Governmental Authority”** means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of a relevant jurisdiction.

**“Maximum Days of Cumulative Postponement”** means the number of days specified as such in the relevant Final Terms.

**“Maximum Days of EM Valuation Fallback Postponement”** means the number of days specified as such in the relevant Final Terms.

**“Maximum Days of EM Valuation Postponement”** means the number of days specified as such in the relevant Final Terms.

**“Maximum Days of Postponement”** means the number of days specified as such in the relevant Final Terms.

**“Maximum Days of Unscheduled Holiday Postponement”** means the number of calendar days specified as such in the relevant Final Terms.

**“Non-USD FX Rate”** means, in the case of Currency Linked Notes, neither the Specified Currency nor the Payment Currency is U.S. dollars.

**“Number of Cross Rate Rounding Places”** means the number specified as such in the relevant Final Terms.

**“Number of FX Settlement Days”** means, in respect of the Payment Currency, such number or amount as is specified in the relevant Final Terms.

**“Number of Rate Calculation Business Days”** means the number of Rate Calculation Business Days specified as such in the relevant Final Terms.

**“Number of Reciprocal Rounding Places”** means the number specified as such in the relevant Final Terms.

**“Other Published Sources”** has the meaning given to it in Condition 6(j)(b)(2)(iv).

**“Payment Currency”** means the Currency specified as such in the relevant Final Terms.

**“Postponement”** has the meaning given to it in Condition 6(j)(b)(2)(v).

**“Principal Financial Centre”** has the meaning given to it in Condition 6(j)(e).

**“Rate Calculation Business Centre(s)”** means each business centre that is relevant for determining whether a day is a Rate Calculation Business Day, as specified in the relevant Final Terms, provided that if no business centre is specified in the relevant Final Terms, the Rate Calculation Business Centre(s) shall be the Principal Financial Centres for the relevant currencies.

**“Rate Calculation Business Day”** means, unless otherwise specified in the relevant Final Terms, a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in the Rate Calculation Business Centre(s).

**“Rate Calculation Date”** means, in respect of any Interest Payment Date or the Maturity Date or other date on which an Early Redemption Amount or other amount is due, the day falling the Number of Rate Calculation Business Days prior to such Interest Payment Date, Maturity Date, or other date (as the case may be), provided that if such day is an Unscheduled Holiday (if applicable) or a Disrupted Day, the Rate Calculation Date shall be determined in accordance with Condition 6(j)(b)(1).

**“Specified-Crossing Currency FX Rate”** means either:

- (i) if “ISDA Determination” is specified to be applicable in the relevant Final Terms in respect of the Specified-Crossing Currency FX Rate, the Spot Rate or Settlement Rate (as applicable) that would be determined by the Calculation Agent under an FX Transaction governed by an ISDA Master Agreement which incorporates the 1998 ISDA FX Definitions and under which:
  - (a) the Settlement Rate Option is as specified in the relevant Final Terms; and
  - (b) the Rate Calculation Date is the applicable Rate Calculation Date; or
- (ii) if “FX Price Source Determination” is specified to be applicable in the relevant Final Terms in respect of the Specified-Crossing Currency FX Rate, the exchange rate of the Specified Currency into the Crossing Currency (and, if the relevant Final Terms specify a Number of FX Settlement Days, for settlement in a number of FX Settlement Days equal to the Number of FX Settlement Days), which appears on the FX Price Source at approximately the applicable Specified-Crossing Currency Valuation Time on the relevant Rate Calculation Date, provided that if the exchange rate which appears on the FX Price Source is the exchange rate for the conversion of the Crossing Currency into the Specified Currency, the Specified-Crossing Currency FX Rate shall be the reciprocal number (rounded, if Reciprocal Rounding is specified in the relevant Final Terms to be applicable in respect of the Specified-Crossing Currency FX Rate, to the Number of Reciprocal Rounding Places, with half of the relevant unit being rounded upwards) of such exchange rate.

For the purposes of sub-paragraph (i), “FX Transaction”, “Settlement Rate”, “Settlement Rate Option” and “Spot Rate” have the meanings given to them in the 1998 ISDA FX Definitions.

“**Specified-Crossing Currency Valuation Time**” means the time specified as such in the relevant Final Terms or, if no time is specified as such, the time selected by the Calculation Agent.

“**Synthetic Currency FX Business Day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits in accordance with the market practice of the foreign exchange market), or but for the occurrence of a Synthetic Currency FX Disruption Event would have settled payments and been open for general business, in each of the Principal Financial Centres in respect of the Synthetic Currency FX Rate.

“**Synthetic Currency FX Disruption Event**” means the occurrence or existence, as determined by the Calculation Agent, of any of the following events, if specified as applicable in the relevant Final Terms:

- (i) “**Benchmark Obligation Default**”, which means, with respect to any Benchmark Obligation, the occurrence of an event of default or other similar condition or event (however described), including, but not limited to:
  - (a) the failure of timely payment in full of any principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of such Benchmark Obligation;
  - (b) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of such Benchmark Obligation; or
  - (c) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of such Benchmark Obligation without the consent of all holders of such Benchmark Obligation.

The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of the relevant entity to issue or enter into such Benchmark Obligation;

- (ii) “**Price Materiality**”, which means the Primary Rate specified in the relevant Final Terms differs from the Secondary Rate specified in the relevant Final Terms by at least the Price Materiality Percentage;
- (iii) “**Currency Replacement**”, which means a relevant currency ceases to exist and is replaced by a new currency in a relevant jurisdiction;
- (iv) “**Dual Exchange Rate**”, which means a Synthetic Currency FX Rate splits into dual or multiple currency exchange rates;
- (v) “**Governmental Authority Event**”, which means a Governmental Authority of a relevant jurisdiction has given public notice of its intention to impose any

controls which are likely to materially affect the Issuer's ability to hedge its obligations with respect to the Currency Linked Notes or to unwind any such hedge;

- (vi) **"Illiquidity"**, which means it is or becomes or is likely to become impossible or impracticable for the Issuer to obtain any currency or obtain or use the Synthetic Currency FX Rate in an appropriate amount;
- (vii) **"Inconvertibility"**, which means the occurrence of any event that makes it or is likely to make it impossible and/or impracticable for the Issuer to convert one relevant currency into another through customary legal channels (including, without limitation, any event that has the direct or indirect effect of hindering, limiting or restricting convertibility by way of any delays, increased costs or discriminatory rates of exchange or any current or future restrictions on repatriation of one currency into another currency);
- (viii) **"Non-Transferability"**, which means the occurrence of any event in or affecting any relevant jurisdiction that makes it or is likely to make it impossible and/or impracticable for the Issuer to deliver any relevant currency into a relevant account; and/or
- (ix) **"Price Source Disruption"**, which means it becomes impossible or impracticable to obtain a Synthetic Currency FX Rate on or in respect of a Rate Calculation Date (or, if different, the day on which rates for that Rate Calculation Date would, in the ordinary course, be published or announced by the relevant price source).

**"Synthetic Currency FX Rate"** means either:

- (i) if "Cross Rate" is not specified in the relevant Final Terms to be applicable to such Synthetic Currency FX Rate:
  - (a) if "ISDA Determination" is specified to be applicable in the relevant Final Terms in respect of such Synthetic Currency FX Rate, the Spot Rate or Settlement Rate (as applicable) that would be determined by the Calculation Agent under an FX Transaction governed by an ISDA Master Agreement which incorporates the 1998 ISDA FX Definitions and under which:
    - (I) the Settlement Rate Option is as specified in the relevant Final Terms; and
    - (II) the Rate Calculation Date is the applicable Rate Calculation Date; or
  - (b) if "FX Price Source Determination" is specified to be applicable in the relevant Final Terms in respect of the Synthetic Currency FX Rate, the exchange rate of the Specified Currency into the Payment Currency (and, if the relevant Final Terms specify a Number of FX Settlement Days, for settlement in a number of FX Settlement Days equal to the Number of FX Settlement Days), which appears on the FX Price Source at approximately the applicable Synthetic Currency Valuation Time on the relevant Rate Calculation Date, provided that if the exchange rate which appears on the FX Price Source is the exchange rate for the conversion of the Payment

Currency into the Specified Currency, the Synthetic Currency FX Rate shall be the reciprocal number (rounded, if Reciprocal Rounding is specified in the relevant Final Terms to be applicable in respect of the Synthetic Currency FX Rate, to the Number of Reciprocal Rounding Places, with half of the relevant unit being rounded upwards) of such exchange rate; or

- (ii) if “Cross Rate” is specified in the relevant Final Terms to be applicable to such Synthetic Currency FX Rate, the rate (rounded, if Cross Rate Rounding is specified in the relevant Final Terms to be applicable in respect of the Synthetic Currency FX Rate, to the Number of Cross Rate Rounding Places, with half of the relevant unit being rounded upwards) that would be achieved by converting an amount in the Specified Currency into the Crossing Currency using the Specified-Crossing Currency FX Rate and then converting the resultant amount from the Crossing Currency into the Payment Currency at the Crossing-Payment Currency FX Rate.

For the purposes of sub-paragraph (i)(a), “FX Transaction”, “Settlement Rate”, “Settlement Rate Option” and “Spot Rate” have the meanings given to them in the 1998 ISDA FX Definitions.

**“Synthetic Currency Valuation Time”** means the time specified as such in the relevant Final Terms or, if no time is specified as such, the time selected by the Calculation Agent.

**“Unscheduled Holiday”** means, in respect of a day, that such day is not a Synthetic Currency FX Business Day and the market was not aware of such fact (by means of a public announcement or reference to other publicly available information) until a time later than 9.00 a.m. local time in the relevant Principal Financial Centre two Synthetic Currency FX Business Days prior to such day.

**“Yen Calculation Agent Determination”** has the meaning given to it in Condition 6(j)(b)(2)(vi).

- (e) Principal Financial Centres

The **“Principal Financial Centre”** in respect of each Currency is the financial centre or centres specified as such in the relevant Final Terms, or if none is specified, the financial centre or centres indicated below with respect to such Currency:

| <b>Currency</b>   | <b>Principal Financial Centre(s)</b>  |
|-------------------|---------------------------------------|
| Algerian Dinar    | Algiers                               |
| Angolan Kwanza    | Luanda                                |
| Argentine Peso    | Buenos Aires                          |
| Australian Dollar | Sydney and Melbourne                  |
| Brazilian Real    | Brasilia, Rio de Janeiro or São Paulo |
| Bulgarian Lev     | Sofia                                 |
| Canadian Dollar   | Toronto                               |
| Chilean Peso      | Santiago                              |

| <b>Currency</b>     | <b>Principal Financial Centre(s)</b> |
|---------------------|--------------------------------------|
| Chinese Renminbi    | Beijing                              |
| Colombian Peso      | Bogota                               |
| Croatian Kuna       | Zagreb                               |
| Czech Koruna        | Prague                               |
| Danish Krone        | Copenhagen                           |
| Ecuadorian Sucre    | Guayaquil                            |
| Egyptian Pound      | Cairo                                |
| Ghanaian Cedi       | Accra                                |
| Hong Kong Dollar    | Hong Kong                            |
| Hungarian Forint    | Budapest                             |
| Indian Rupee        | Mumbai                               |
| Indonesian Rupiah   | Jakarta and Singapore                |
| Israeli Shekel      | Tel Aviv                             |
| Kazakhstan Tenge    | Almaty                               |
| Kenyan Shilling     | Nairobi                              |
| Korean Won          | Seoul                                |
| Kuwaiti Dinar       | Kuwait City                          |
| Latvian Lats        | Riga                                 |
| Lebanese Pound      | Beirut                               |
| Lithuanian Litas    | Vilnius                              |
| Malaysian Ringgit   | Kuala Lumpur and Singapore           |
| Mexican Peso        | Mexico City                          |
| Moroccan Dirham     | Rabat                                |
| New Zealand Dollar  | Wellington and Auckland              |
| Nigerian Naira      | Lagos                                |
| Norwegian Krone     | Oslo                                 |
| Pakistani Rupee     | Karachi                              |
| Peruvian Sol        | Lima                                 |
| Philippine Peso     | Manila                               |
| Polish Zloty        | Warsaw                               |
| Romanian Leu        | Bucharest                            |
| Russian Ruble       | Moscow                               |
| Saudi Arabian Riyal | Riyadh                               |
| Singapore Dollar    | Singapore                            |
| South African Rand  | Johannesburg                         |
| Sri Lankan Rupee    | Colombo                              |

| <b>Currency</b>    | <b>Principal Financial Centre(s)</b> |
|--------------------|--------------------------------------|
| Sterling           | London                               |
| Swedish Krona      | Stockholm                            |
| Swiss Franc        | Zurich                               |
| Taiwanese Dollar   | Taipei                               |
| Thai Baht          | Bangkok and Singapore                |
| Tunisian Dinar     | Tunis                                |
| Turkish Lira       | Ankara                               |
| Ukrainian Hryvnia  | Kiev                                 |
| U.S. Dollar        | New York                             |
| Venezuelan Bolivar | Caracas                              |
| Vietnamese Dong    | Hanoi and Singapore                  |
| Yen                | Tokyo                                |
| Zambian Kwacha     | Lusaka                               |

## **7 Taxation**

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

- (a) presented for payment by or on behalf of any holder who is liable to such tax, duty, assessment or governmental charge in respect of such Note or Coupon by reason of such holder having some connection with the United Kingdom other than the mere holding of such Note or Coupon; or
- (b) to, or to a third party on behalf of, a holder if such withholding or deduction may be avoided by complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to any authority of or in the United Kingdom, unless such holder proves that he is not entitled so to comply or to make such declaration or claim; or
- (c) to, or to a third party on behalf of, a holder that is a partnership, or a holder that is not the sole beneficial owner of the Note or Coupon, or which holds the Note or Coupon in a fiduciary capacity, to the extent that any of the members of the partnership, the beneficial owner or the settlor or beneficiary with respect to the fiduciary would not have been entitled to the payment of an additional amount had each of the members of the partnership, the beneficial owner, settlor or beneficiary (as the case may be) received directly his beneficial or distributive share of the payment; or

- (d) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment at the expiry of such period of 30 days; or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (f) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

As used herein:

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

References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 5 or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 or any amendment or supplement to them and (iii) “**principal**” and/or “**interest**” (other than such interest as is referred to in Condition 9(g)) shall be deemed to include any additional amounts that may be payable under this Condition 7 or under any obligations undertaken in addition thereto or in substitution therefor under the Trust Deed.

## 8 Prescription

Claims for payment of principal (excluding principal comprised in a withheld amount) will become void 12 years, and claims for payment of interest (other than interest comprised in, or accrued on, a withheld amount) will become void six years, after the Relevant Date (as defined in Condition 7) relating thereto. Claims in respect of principal comprised in a withheld amount and claims in respect of interest comprised in, or accrued on, a withheld amount will, in the case of such principal, become void 12 years and will, in the case of such interest, become void six years after the due date for payment thereof as specified in Condition 9(f) or, if the full amount of the moneys payable has not been duly received by the Issuing and Paying Agent, another Paying Agent, the Registrar, a Transfer Agent or the Trustee, as the case may be, on or prior to such date, the date of which notice is given in accordance with Condition 14 that the relevant part of such moneys has been so received.

The prescription period in respect of Talons shall be:

- (a) as to any Talon the original due date for exchange of which falls within the 12 years immediately prior to the due date for redemption (pursuant to Condition 5) of the Note to which it pertains, six years from the Relevant Date for the redemption of such Note, but so that the Coupon sheet for which it is exchangeable shall be issued without any Coupon itself prescribed in accordance with this Condition 8 or the Relevant Date for payment of which would fall after the Relevant Date for the redemption of the relevant Note and without a Talon; and



- (b) as to any other Talon, 12 years from the Relevant Date for payment of the last Coupon of the Coupon sheet of which it formed part.

## **9 Events of Default and Enforcement**

- (a) If the Issuer shall not make payment of any principal or any interest in respect of the Notes for a period of 14 days or more after the due date for the same, the Trustee may at any time at its discretion and without notice institute such proceedings and/or take such other action as it may think fit against or in relation to the Issuer to enforce its obligations under the Notes, provided that it shall not have the right to institute such proceedings and/or, as the case may be, to take such other action if the Issuer withholds or refuses any such payment (A) (subject to Condition 7) in order to comply with any fiscal or other law or regulation, with the order of any court of competent jurisdiction or with any agreement between the Issuer and any taxing authority, in each case applicable to such payment, the Issuer, the relevant Paying Agent, Transfer Agent or Registrar or the holder of the Note or Coupon or (B) (subject as provided in the Trust Deed) in case of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice as to such validity or applicability given at any time during the said period of 14 days by independent legal advisers acceptable to the Trustee.
- (b) If otherwise than for the purposes of reconstruction or amalgamation on terms previously approved in writing by the Trustee, an order is made or an effective resolution is passed for winding-up the Issuer, the Trustee may at its discretion give notice to the Issuer that the Notes are, and they shall accordingly immediately become, due and repayable at their Early Redemption Amount, together with accrued interest (calculated as provided in the Trust Deed).
- (c) The Trustee shall not be bound to institute proceedings and/or take the action referred to in Condition 9(a), 9(b) or 9(d) to enforce the obligations of the Issuer in respect of the Notes and Coupons or to take any other actions under the Trust Deed unless (i) it shall have been so requested by Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding (as defined in the Trust Deed) and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.
- (d) No Noteholder or Couponholder shall be entitled to institute such proceedings and/or take such other action as is referred to in Condition 9(a) above, or to prove in such winding-up, except that if the Trustee, having become bound to proceed against the Issuer as aforesaid, fails to do so, or, being able to prove in such winding-up, fails to do so, in either case within a reasonable period and such failure is continuing, then any such holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute such proceedings and/or take such other action or institute proceedings for the winding-up in England (but not elsewhere) of the Issuer and/or prove in such winding-up to the same extent (but not further or otherwise) that the Trustee would have been entitled so to do.

The Issuer has undertaken in the Trust Deed to pay UK stamp and other duties (if any) on or in connection with the execution of the Trust Deed and UK, Belgian and Luxembourg stamp and other duties or taxes (if any) on the constitution and issue of the Notes in temporary global, permanent global or definitive form (provided such stamp and other duties or taxes result from laws applicable on or prior to the date 40 days after the Issue Date specified in the Final Terms of such Notes and, in the case of exchange of a global Note for Notes in definitive form, such tax results from laws applicable on or prior to the date of such exchange) and stamp and other duties or taxes (if any) payable solely by virtue of and in connection with any permissible

proceedings under the Trust Deed or the Notes, save that the Issuer shall not be liable to pay any such stamp or other duties or taxes to the extent that the obligation arises or the amount payable is increased by reason of the holder at the relevant time unreasonably delaying in producing any relevant document for stamping or similar process. Subject as aforesaid, the Issuer will not be otherwise responsible for stamp or other duties or taxes otherwise imposed and in particular (but without prejudice to the generality of the foregoing) for any penalties arising on account of late payment where due by the holder at the relevant time. Any such stamp or other duties or taxes that might be imposed upon or in respect of Notes in temporary global, permanent global or definitive form or the Coupons or Talons (in each case other than as aforesaid) are the liability of the holders thereof.

- (e) If payment to any Noteholder of any amount due in respect of the Notes (other than interest) is improperly withheld or refused (any withholding or refusal effected in reliance upon the proviso to Condition 9(a) where the relevant law, regulation or order proves subsequently not to be valid or applicable shall be treated, for the purpose of ascertaining entitlement to accrued interest but not for any other purpose, as if it had been at all times an improper withholding or refusal), interest shall accrue until, but excluding, the date on which notice is given in accordance with Condition 14 that the full amount in the Specified Currency payable in respect of such Notes is available for payment or the date of payment, whichever first occurs and shall be calculated by applying the Rate of Interest determined in accordance with these Conditions on the first day of the then current Interest Period (and each relevant Interest Period (if any) thereafter) to such amount withheld or refused, multiplying the sum by the relevant Day Count Fraction for such Interest Period and rounding the resultant figure to the nearest unit (as such term is defined in Condition 4(e)(iii)).
- (f) If, in reliance upon the proviso to Condition 9(a), payment of any amount (each a “**withheld amount**”) in respect of the whole or any part of the principal and/or any interest due in respect of the Notes, or any of them, is not paid or provided by the Issuer to the Trustee or to the account of or with the Issuing and Paying Agent, or is withheld or refused by any of the Paying Agents, the Registrar or the Transfer Agents, in each case other than improperly within the meaning of Condition 9(e), or which is paid or provided after the due date for payment thereof, such withheld amount shall, where not already an interest bearing deposit, if lawful, promptly be so placed, all as more particularly described in the Trust Deed. If subsequently it shall be or become lawful to make payment of such withheld amount in the Specified Currency, notice shall be given in accordance with Condition 14, specifying the date (which shall be no later than seven days after the earliest date thereafter upon which such interest bearing deposit falls or may (without penalty) be called due for repayment) on and after which payment in full of such withheld amount (or that part thereof which it is lawful to pay) will be made. In such event (but subject in all cases to any applicable fiscal or other law or regulation or the order of any court of competent jurisdiction), the withheld amount or the relevant part thereof, together with interest accrued thereon from, and including, the date the same was placed on deposit to, but excluding, the date upon which such interest bearing deposit was repaid, shall be paid to (or released by) the Issuing and Paying Agent for payment to the relevant holders of Notes and/or Coupons, as the case may be (or, if the Issuing and Paying Agent advises the Issuer of its inability to effect such payment, shall be paid to (or released by) such other Paying Agent, Registrar or Transfer Agent (as the case may be) as there then may be or, if none, to the Trustee, in any such case for payment as aforesaid). For the purposes of Condition 9(a), the date specified in the said notice shall become the due date for payment in respect of such withheld amount or the relevant part thereof. The obligations under this Condition 9(f) shall be in lieu of

any other remedy otherwise available under these Conditions, the Trust Deed or otherwise in respect of such withheld amount or the relevant part thereof.

- (g) Any interest payable as provided in Condition 9(f) above shall be paid net of any taxes applicable thereto and Condition 7 shall not apply in respect of the payment of any such interest.

#### **10 Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and/or any subsidiary and/or any holding company of the Issuer and/or any other subsidiary of any such holding company without accounting for any profit resulting therefrom.

#### **11 Meetings of Noteholders, Modification, Waiver and Substitution**

##### *(a) Meetings of Noteholders*

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any of the provisions of the Notes, the Coupons or the Trust Deed, except that certain provisions of the Trust Deed may only be modified subject to approval by Extraordinary Resolution passed at a meeting of Noteholders to which special quorum provisions shall have applied. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes.

##### *(b) Modification of the Trust Deed*

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable in accordance with Condition 14.

##### *(c) Substitution*

The Trustee shall agree, if requested by the Issuer and subject to such amendment of the Trust Deed and such other conditions as the Trustee may reasonably require, but without the consent of the Noteholders or the Couponholders, to the substitution, subject to the Notes and the Coupons being unconditionally and irrevocably guaranteed by the Issuer on an unsubordinated basis, of a subsidiary of the Issuer or a holding company of the Issuer or another subsidiary of any such holding company in place of the Issuer as principal debtor under the Trust Deed, the Notes and the Coupons and as a party to the Agency Agreement.

(d) *Change of Governing Law*

In the case of a substitution pursuant to Condition 11(c) the Trustee may in its absolute discretion agree, without the consent of the Noteholders or Couponholders, to a change of the law governing the Notes, the Coupons, the Talons and/or the Trust Deed and/or the Agency Agreement provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(e) *Entitlement of the Trustee*

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Noteholder or Couponholder shall, in connection with any such modification, waiver, authorisation or substitution, be entitled to claim, and the Trustee shall not be entitled to require, from the Issuer any indemnification or payment in respect of any tax or other consequence of any such exercise upon individual Noteholders or Couponholders except to the extent provided for by Condition 7.

## 12 Replacement of Notes, Certificates, Coupons and Talons

- (a) If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other place of which notice shall be given in accordance with Condition 14 in each case on payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Note, Certificate, Coupon or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued. In addition, the Issuer may require the person requesting delivery of a replacement Note, Certificate, Coupon or Talon to pay, prior to delivery of such replacement Note, Certificate, Coupon or Talon, any stamp or other tax or governmental charges required to be paid in connection with such replacement. No replacement Note shall be issued having attached thereto any Coupon or Talon, claims in respect of which shall have become void pursuant to Condition 8.
- (b) Where:
- (i) a Talon (the “**relevant Talon**”) has become prescribed in accordance with Condition 8; and
  - (ii) the Note to which the relevant Talon pertains has not become void through prescription; and
  - (iii) no Coupon sheet (or part thereof, being (a) Coupon(s) and/or a Talon, hereinafter called a “**part Coupon sheet**”), which Coupon sheet would have been exchangeable for the

relevant Talon or for any subsequent Talon bearing the same serial number pertaining to such Note, has been issued; and

- (iv) either no replacement Coupon sheet or part Coupon sheet has been issued in respect of any Coupon sheet or part Coupon sheet referred to in (iii) above or, in the reasonable opinion of the Issuer, there is no reasonable likelihood that any such replacement has been issued,

then upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity or security as the Issuer may reasonably require there may be obtained at the specified office of the Issuing and Paying Agent (or such other place of which notice shall be given in accordance with Condition 14) a Coupon sheet or Coupon sheets or part Coupon sheet(s), as the circumstances may require, issued:

- (A) in the case of a Note that has become due for redemption (x) without any Coupon itself prescribed in accordance with Condition 8 or the Relevant Date for payment of which would fall after the Relevant Date for the redemption of the relevant Note, and (y) without any Talon or Talons, as the case may be; or
- (B) in any other case, without any Coupon or Talon itself prescribed in accordance with Condition 8 and without any Talon pertaining to a Coupon sheet the Relevant Date of the final Coupon of which falls on or prior to the date when the Coupon sheet(s) or part Coupon sheet(s) is (are) delivered to or to the order of the claimant, but in no event shall any Coupon sheet be issued the original due date for exchange of which falls after the date of delivery of such Coupon sheet(s) as aforesaid.

For the avoidance of doubt, the provisions of this Condition 12(b) shall not give, or revive, any rights in respect of any Talon that has become prescribed in accordance with Condition 8.

### **13 Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further notes shall be consolidated and form a single Series with the Notes. References in these Conditions to the Notes include (unless the context requires otherwise) any other notes issued pursuant to this Condition and forming a single Series with the Notes. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes of other Series in certain circumstances where the Trustee so decides.

### **14 Notices**

Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in the United Kingdom (which is expected to be the Financial Times). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in the United Kingdom, approved by the Trustee. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made.

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

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and shall be deemed to have been given on the weekday (being a day other than a Saturday or

a Sunday) after the date of mailing provided that, if at any time by reason of the suspension or curtailment (or expected suspension or curtailment) of postal services within the United Kingdom or elsewhere the Issuer is unable effectively to give notice to holders of Registered Notes through the post, notices to holders of Registered Notes will be valid if given in the same manner as other notices as set out above.

## **15 Governing Law and Jurisdiction**

### *(a) Governing Law*

The Trust Deed, the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

### *(b) Jurisdiction*

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed or the Notes and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or any Notes (“**Proceedings**”) may be brought in such courts. Service of process in any Proceedings in England may be effected by delivery to the Company’s place of business in England at Faryners House, 25 Monument Street, London EC3R 8BQ or such other address as may be notified to the Trustee.

## **16 Third Party Rights**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person that exists or is available apart from that Act.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### 1 Initial Issue of Notes

If the Global Notes or the Global Certificates are stated in the relevant Final Terms to be issued in new global note (“**NGN**”) form or if they are to be held under the new safekeeping structure (the “**NSS**”) (as the case may be), the Global Notes or the Global Certificates will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Notes or the Global Certificates with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global Notes which are not issued in NGN form (“**CGNs**”) and Global Certificates which are not held under the NSS may be delivered on or prior to the original issue date of the Tranche to a Common Depositary (as defined below).

Upon the initial deposit of a Global Note in CGN form with a common depositary for Euroclear and Clearstream, Luxembourg (the “**Common Depositary**”) or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is an NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depositary or the Common Safekeeper, as the case may be, may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

### 2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other permitted clearing system (“**Alternative Clearing System**”) as the holder of a Note represented by a Global Note or a Global Certificate (each an “**Accountholder**”) (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or such Alternative Clearing System as to the nominal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such nominal amount of such Notes for all purposes (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders) other than in respect of the payment of principal and interest on such Notes, the right to which shall be vested, as against the relevant Issuer and the Trustee, solely in the bearer of the relevant Global Note or the registered holder of the relevant Global Certificate in accordance with and subject to its terms and the terms of the Trust Deed. Accountholders shall have no claim directly against the relevant Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the relevant Issuer will be discharged by payment to or to the

order of the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

### **3 Exchange**

#### **3.1 Temporary Global Notes**

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined in paragraph 3.6 (“Exchange Date”) below):

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

#### **3.2 Permanent Global Notes**

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 (“Partial Exchange of Permanent Global Notes”), in part for Definitive Notes:

- (i) by the relevant Issuer giving notice to the Noteholders, the Trustee and the Issuing and Paying Agent of its intention to effect such exchange (unless principal in respect of any Notes has not been paid when due);<sup>\*</sup>
- (ii) if the relevant Final Terms provide that the permanent Global Note is exchangeable at the request of the holder, by the holder (acting on the instructions of the person(s) with beneficial interest(s) in such permanent Global Note) giving notice to the Issuing and Paying Agent of its election for such exchange;<sup>†</sup> and
- (iii) otherwise, (i) upon the happening of any of the events defined in the Trust Deed as “Events of Default”; or (ii) if Euroclear or Clearstream, Luxembourg or an Alternative Clearing System is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearance system satisfactory to the Trustee is available.

#### **3.3 Global Certificates**

If the relevant Final Terms state that the Notes are to be represented by a Global Certificate on issue, transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

- (i) upon the happening of any of the events defined in the Trust Deed as “Events of Default”; or
- (ii) if such Notes are held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a

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<sup>\*</sup> Not applicable to Notes with a minimum Specified Denomination plus a higher integral multiple of a smaller amount.

<sup>†</sup> Not applicable to Notes with a minimum Specified Denomination plus a higher integral multiple of a smaller amount.



continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearance system satisfactory to the Trustee is available; or

(iii) with the consent of the relevant Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.3(i) or 3.3(ii) above, the holder of the Registered Notes has given the Registrar not less than 30 days' notice at its specified office of the holder of the Registered Notes' intention to effect such transfer.

### **3.4 Partial Exchange of Permanent Global Notes**

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

A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

### **3.5 Delivery of Notes**

If the Global Note is a CGN, on or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the relevant Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the relevant Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be or (iii) if the Global Note is a NGN, the relevant Issuer will procure that details of such exchange be entered pro rata in the records of the relevant clearing system. In this Prospectus, “**Definitive Notes**” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them, if applicable, all Coupons in respect of interest that has not already been paid on the Global Note and, if applicable, a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the relevant Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

### **3.6 Exchange Date**

“**Exchange Date**” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, after that on which the notice requiring exchange is given and on which banks are open for business in the

city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

## **4 Amendment to Conditions**

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

### **4.1 Payments**

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. If the Global Note is a NGN, or if the Global Certificate is held under the NSS, the relevant Issuer shall procure that details of each such payment shall be entered pro rata in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note or the Global Certificate will be reduced accordingly. Payments under a NGN will be made to its holder. Each payment so made will discharge the relevant Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "**business day**" set out in Condition 6(h) (Non-Business Days).

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January. The calculation of all payments will be made in respect of the total aggregate amount of the Notes together with such other sums and additional amounts (if any) as are payable under the Conditions.

### **4.2 Prescription**

Claims against the relevant Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 12 years (in the case of principal) or six years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 7).

### **4.3 Cancellation**

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

#### **4.4 Purchase**

Notes represented by a permanent Global Note may only be purchased by the relevant Issuer, or any of its subsidiaries or any holding company of the relevant Issuer or any other subsidiary of any such holding company if they are purchased together with the right to receive all future payments of interest (if any) thereon.

#### **4.5 Issuer's Option**

Any option of the relevant Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the relevant Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the certificate numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the relevant Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of Accountholders in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other Alternative Clearing System (as the case may be).

#### **4.6 Noteholders' Options**

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent (electronically or otherwise) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of, or containing substantially similar information as contained in, the notice available from any Paying Agent, except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation. Where the Global Note is a NGN, or where the Global Certificate is held under the NSS, the relevant Issuer shall procure that details of such exercise shall be entered pro rata in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

#### **4.7 NGN Nominal Amount**

Where the Global Note is a NGN, the relevant Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

#### 4.8 Trustee's Powers

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

#### 4.9 Notices

Subject to the immediately following paragraph, so long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to the relative Accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate. Any such notice shall be deemed to have been given to the holders of the Notes on the second business day after such notice is delivered to that clearing system for communication by it to the holders.

### 5 Electronic Consent and Written Resolution

While any Global Note is held on behalf of, or any Global Certificate is registered in the name of any nominee for, a clearing system, then:

- (i) approval of a resolution proposed by the relevant Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Notes (an “**Electronic Consent**” as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the special quorum requirements were satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons and Talons whether or not they participated in such Electronic Consent; and
- (ii) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the relevant Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the relevant Issuer and/or the Trustee, as the case may be, by Accountholders in the clearing system with entitlements to such Global Note or Global Certificate or, where the Accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the Accountholder or via one or more intermediaries and provided that, in each case, the relevant Issuer and the Trustee have obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, “**commercially reasonable evidence**” includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or

any other relevant clearing system, or issued by an Accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the Accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The relevant Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

## **USE OF PROCEEDS**

The net proceeds of each issue of Notes will be used for the general business purposes of Lloyds Banking Group and Lloyds Bank Group.

## CLEARING AND SETTLEMENT

### Book-Entry Ownership

#### *Bearer Notes*

The relevant Issuer may make applications to Clearstream, Luxembourg and/or Euroclear for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note in bearer form without coupons may be deposited with a common depositary or common safekeeper, as the case may be, for Clearstream, Luxembourg and/or Euroclear or an Alternative Clearing System as agreed between the relevant Issuer and Dealer. Transfers of interests in such temporary Global Notes or permanent Global Notes will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream, Luxembourg and Euroclear or, if appropriate, the Alternative Clearing System. Each Global Note deposited with a common depositary or common safekeeper, as the case may be, on behalf of Euroclear and Clearstream, Luxembourg will have an ISIN and a Common Code. Global Notes deposited with a common depositary or nominee or custodian of an Alternative Clearing System may have additional or alternative identifiers, as set out in the relevant Final Terms.

#### *Registered Notes*

The relevant Issuer may make applications to Clearstream, Luxembourg and/or Euroclear and/or an Alternative Clearing System for acceptance in their respective book-entry systems in respect of the Registered Notes to be represented by a Global Certificate. Each Global Certificate deposited with a nominee for Clearstream, Luxembourg and/or Euroclear will have an ISIN and a Common Code. Global Certificates registered in the name of a nominee for an Alternative Clearing System may have additional or alternative identifiers, as set out in the relevant Final Terms.

All Registered Notes will initially be in the form of a Global Certificate. Individual Certificates will only be available in amounts specified in the applicable Final Terms.

#### *Transfers of Registered Notes*

Transfers of interests in Global Certificates within Clearstream, Luxembourg and Euroclear will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Certificate to such persons may be limited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and/or Euroclear will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg and Euroclear will need to have an agreed settlement date between the parties to such transfer.

#### **Individual Certificates**

Registration of title to Registered Notes in a name other than a depositary or its nominee for Clearstream, Luxembourg and Euroclear or for an Alternative Clearing System will be permitted only in the circumstances set forth in “Summary of Provisions Relating to the Notes while in Global Form – Exchange – Global Certificates”. In such circumstances, the relevant Issuer will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with a written

order containing instructions and such other information as the relevant Issuer and the Registrar may require to complete, execute and deliver such individual Certificates.

### **CREST Depository Interests**

Following their delivery into a clearing system, interests in Notes denominated in pounds sterling, euro and US dollars may be delivered, held and settled in CREST by means of the creation of CDIs representing the interests in the relevant Underlying Notes. The CDIs will be issued by CREST Depository Limited (the “**CREST Depository**”) to CDI Holders and will be governed by English law.

The CDIs will represent indirect interests in the interest of CREST International Nominees Limited (the “**CREST Nominee**”) in the Underlying Notes. Pursuant to the CREST Manual (as defined below), Notes held in global form by the Common Depository may be settled through CREST, and the CREST Depository will issue CDIs. The CDIs will be independent securities, constituted under English law which may be held and transferred through CREST.

Interests in the Underlying Notes will be credited to the CREST Nominee’s account with Euroclear and the CREST Nominee will hold such interests as nominee for the CREST Depository which will issue CDIs to the relevant CREST participants.

Each CDI will be treated by the CREST Depository as if it were one Underlying Note, for the purposes of determining all rights and obligations and all amounts payable in respect thereof. The CREST Depository will pass on to CDI Holders any interest or other amounts received by it as holder of the Underlying Notes on trust for such CDI Holder. CDI Holders will also be able to receive from the CREST Depository notices of meetings of holders of Underlying Notes and other relevant notices issued by the relevant Issuer.

Transfers of interests in Underlying Notes by a CREST participant to a participant of Euroclear or Clearstream, Luxembourg will be effected by cancellation of the CDIs and transfer of an interest in such Notes underlying the CDIs to the account of the relevant participant with Euroclear or Clearstream, Luxembourg.

The CDIs will have the same ISIN as the ISIN of the Underlying Notes and will not require a separate listing on the Official List.

Prospective subscribers for Notes represented by CDIs are referred to Chapter 3 of the CREST Manual which contains the form of the CREST Deed Poll to be entered into by the CREST Depository. The rights of the CDI Holders will be governed by the arrangements between CREST, Euroclear, Clearstream, Luxembourg and the relevant Issuer including the CREST Deed Poll (in the form contained in Chapter 3 of the CREST International Manual (which forms part of the CREST Manual)) executed by the CREST Depository. These rights may be different from those of holders of Notes which are not represented by CDIs.

If issued, CDIs will be delivered, held and settled in CREST, by means of the CREST International Settlement Links Service (the “**CREST International Settlement Links Service**”). The settlement of the CDIs by means of the CREST International Settlement Links Service has the following consequences for CDI Holders:

- (i) CDI Holders will not be the legal owners of the Underlying Notes. The CDIs are separate legal instruments from the Underlying Notes to which they relate and represent an indirect interest in such Underlying Notes.
- (ii) The Underlying Notes themselves (as distinct from the CDIs representing indirect interests in such Underlying Notes) will be held in an account with a custodian. The custodian will hold the Underlying Notes through a clearing system. Rights in the Underlying Notes will be held through custodial and depository links through the appropriate clearing systems. The legal title to the Underlying Notes or to



interests in the Underlying Notes will depend on the rules of the clearing system in or through which the Underlying Notes are held.

- (iii) Rights under the Underlying Notes cannot be enforced by CDI Holders except indirectly through the intermediary depositaries and custodians described above. The enforcement of rights under the Underlying Notes will therefore be subject to the local law of the relevant intermediary. The rights of CDI Holders to the Underlying Notes are represented by the entitlements against the CREST Depository which (through the CREST Nominee) holds interests in the Underlying Notes. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Notes in the event of any insolvency or liquidation of the relevant intermediary, in particular where the Underlying Notes held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.
- (iv) The CDIs issued to CDI Holders will be constituted and issued pursuant to the CREST Deed Poll. CDI Holders will be bound by all provisions of the CREST Deed Poll and by all provisions of or prescribed pursuant to, the CREST International Manual dated 14 April 2008 as amended, modified, varied or supplemented from time to time (the “**CREST Manual**”) and the CREST Rules (the “**CREST Rules**”) (contained in the CREST Manual) applicable to the CREST International Settlement Links Service and CDI Holders must comply in full with all obligations imposed on them by such provisions.
- (v) Potential investors should note that the provisions of the CREST Deed Poll, the CREST Manual and the CREST Rules contain indemnities, warranties, representations and undertakings to be given by CDI Holders and limitations on the liability of the issuer of the CDIs, the CREST Depository.
- (vi) CDI Holders may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the money invested by them. The attention of potential investors is drawn to the terms of the CREST Deed Poll, the CREST Manual and the CREST Rules, copies of which are available from CREST at 33 Cannon Street, London EC4M 5SB or by calling +44 (0) 207 849 0000 or from the CREST website at [www.euroclear.com/site/public/EUI](http://www.euroclear.com/site/public/EUI).
- (vii) Potential investors should note CDI Holders may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service. These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the Notes through the CREST International Settlement Links Service.
- (viii) Potential investors should note that neither the relevant Issuer, the Trustee nor any Paying Agent will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.
- (ix) Potential investors should note that Notes issued in temporary global form exchangeable for a Permanent Global Security will not be eligible for CREST settlement as CDIs. As such, investors investing in the Underlying Notes through CDIs will only receive the CDIs after such Temporary Global Security is exchanged for a Permanent Global Security, which could take up to 40 days after the issue of the Notes.

*Potential investors should be aware that the creation of CDIs relating to the Notes could, if not completed correctly, result in a taxable charge for stamp duty reserve tax payable by such investors. A person creating a*

*CDI will be required to provide confirmation to Euroclear that the Notes are exempt from the requirements to pay stamp duty reserve tax.*

## LLOYDS BANKING GROUP AND LLOYDS BANK

### Overview

The businesses of Lloyds Banking Group are in or owned by the Bank and the Bank is wholly owned by the Company. Accordingly, set out below is information relating both to the Group and the Bank which is necessary in order for investors to understand the business of the Bank and the relevance of its relationship with the Company.

Lloyds Banking Group is a leading provider of financial services to individual and business customers in the UK.

### History and Development of Lloyds Banking Group

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

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

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

HBOS plc and its subsidiary and associated undertakings (the “**HBOS Group**” or “**HBOS**”) had been formed in September 2001 by the merger of Halifax plc and Bank of Scotland. The Halifax business began with the establishment of the Halifax Permanent Benefit Building Society in 1852; the society grew through a number of mergers and acquisitions including the merger with Leeds Permanent Building Society in 1995 and the acquisition of Clerical Medical in 1996. In 1997 the Halifax converted to plc status and floated on the London stock market. Bank of Scotland was founded in July 1695, making it Scotland’s first and oldest bank.

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

Pursuant to two placing and open offers which were completed by the Company in January and June 2009 and the Rights Issue completed in December 2009 (the “**Rights Issue**”), the UK Government acquired 43.4 per cent. of the Company’s issued ordinary share capital. As at 16 December 2014, the UK Government held approximately 17.8 billion shares in the Group, representing a stake of approximately 24.9 per cent.,

following a sale of 4,282 million shares on 20 September 2013, a further sale of 5,555 million shares on 31 March 2014 and the effect of issues of ordinary shares. On 17 December 2014, the UK Government announced a pre-arranged six month trading plan with Morgan Stanley & Co. International plc (“**Morgan Stanley**”) which provides Morgan Stanley with full discretion to effect a measured and orderly sell down of shares in the Group on behalf of the UK Government. The trading plan will terminate no later than 30 June 2015 and the UK Government has instructed Morgan Stanley that up to but no more than 15 per cent. of the aggregate total trading volume in the Group is to be sold over the duration of the trading plan. On 25 March 2015, the UK Government notified the Group that its holding had reduced to 21.99 per cent. or approximately 15.7 billion shares as a result of the trading plan. The UK Government’s shareholding may have reduced further following the notification on 25 March 2015, though their shareholding remains above 21 per cent. at 26 March 2015.

Pursuant to its decision approving state aid to the Group, the European Commission required the Group to dispose of a retail banking business meeting minimum requirements for the number of branches, share of the UK personal current accounts market and proportion of the Group’s mortgage assets. This business was rebranded as TSB in September 2013 and commenced operating separately within the Group. In 2014 the Group commenced the sale of shares in TSB Banking Group plc (the holding company for the TSB business), selling a 35 per cent. interest in June 2014 following an IPO, 3.5 per cent. in July 2014 as a result of exercising the overallotment option in connection with the IPO and a further 11.5 per cent. in September 2014 through an institutional placing so that, at 31 December 2014, the Group retained an interest of approximately 50 per cent. in TSB. The Group is required to sell down its remaining stake before 31 December 2015. For detail on recent developments in relation to the Group’s sell down of TSB see “*Lloyds Banking Group and Lloyds Bank – Recent Developments*”.

## **Ratings of the Bank**

As at the date of this Prospectus: (i) long-term senior obligations of the Bank are rated “A” by S&P, “A1” by Moody’s and “A” by Fitch; and (ii) short-term obligations of the Bank are rated “A-1” by S&P, “P-1” by Moody’s and “F1” by Fitch. Each of Fitch, Moody’s and S&P is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

### ***Expected ratings in relation to Notes issued by the Bank under the Programme***

S&P is expected to rate Notes issued by the Bank under the Programme with a maturity of one year or more “A” and Notes issued by the Bank under the Programme with a maturity of less than one year “A-1”.

Fitch is expected to rate Notes issued by the Bank under the Programme with a maturity of one year or more “A”; and Notes issued by the Bank under the Programme with a maturity of less than one year “F1”.

Moody’s is expected to rate Notes issued by the Bank under the Programme with a maturity of one year or more “A1” and Notes issued by the Bank under the Programme with a maturity of less than one year “P-1”.

The credit ratings referred to and included in this Prospectus have been issued by S&P, Fitch and Moody’s, each of which is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

Tranches of Notes to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to Notes already issued. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) on credit rating agencies will be disclosed in the relevant Final Terms.

A rating is not a recommendation to buy, sell or hold securities and may be subject to change, suspension or withdrawal at any time by the assigning rating agency.

For detail on credit ratings risks see *“Risk Factors — Financial soundness related risks”*. In particular, see *“Risk Factors — Financial soundness related risks — The Group’s borrowing costs and access to the capital markets is dependent on a number of factors, including any reduction in the Group’s longer-term credit rating, and increased costs or reduction in access could materially adversely affect the Group’s results of operations, financial condition or prospects”*.

## **Ratings of the Company**

As at the date of this Prospectus: (i) long-term senior obligations of the Company are rated “BBB” by S&P, “A2” by Moody’s and “A” by Fitch; and (ii) short-term obligations of the Company are rated “A-2” by S&P, “P-1” by Moody’s and “F1” by Fitch. Each of Fitch, Moody’s and S&P is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

### ***Expected ratings in relation to Notes issued by the Company under the Programme***

S&P is expected to rate Notes issued by the Company under the Programme with a maturity of one year or more “BBB” and Notes issued by the Company under the Programme with a maturity of less than one year “A-2”.

Fitch is expected to rate Notes issued by the Company under the Programme with a maturity of one year or more “A”; and Notes issued by the Company under the Programme with a maturity of less than one year “F1”.

Moody’s is expected to rate Notes issued by the Company under the Programme with a maturity of one year or more “A2” and Notes issued by the Company under the Programme with a maturity of less than one year “P-1”.

The credit ratings referred to and included in this Prospectus have been issued by S&P, Fitch and Moody’s, each of which is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

Tranches of Notes to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to Notes already issued. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) on credit rating agencies will be disclosed in the relevant Final Terms.

A rating is not a recommendation to buy, sell or hold securities and may be subject to change, suspension or withdrawal at any time by the assigning rating agency.

For detail on credit ratings risks see *“Risk Factors — Financial soundness related risks”*. In particular, see *“Risk Factors — Financial soundness related risks — The Group’s borrowing costs and access to the capital markets is dependent on a number of factors, including any reduction in the Group’s longer-term credit rating, and increased costs or reduction in access could materially adversely affect the Group’s results of operations, financial condition or prospects”*.

## **Strategy of Lloyds Banking Group**

The Group is a leading provider of financial services to individual and business customers in the UK. The Group’s main business activities are retail and commercial banking, long-term savings, protection and

investment. Services are provided through a number of well recognised brands including Lloyds Bank, Halifax, Bank of Scotland, and Scottish Widows and through a range of distribution channels, including the largest branch network in the UK and a comprehensive digital proposition.

The Group operates a simple, low-risk, customer-focused retail and commercial banking business primarily in the UK. The Group's corporate strategy is built around being the best bank for individual and business customers across the UK and creating value by investing in areas that make a real difference to these customers.

Following the successful delivery of the Group's 2011 strategy that underpinned the Group's low cost, low risk, customer focused, UK retail and commercial banking business model, the Group outlined the next phase of its strategy in October 2014. The Group's strategy is focused upon delivering value and high quality experiences for customers alongside superior and sustainable financial performance within a prudent risk and conduct framework. This will be achieved through three new strategic priorities which will be consistently applied across all divisions:

#### ***Creating the best customer experience***

The Group's ambition is to create the best customer experience through its multi brand, multi channel approach, combining comprehensive online and mobile capabilities with face to face services. This involves transforming the Group's digital presence while sustaining extensive customer reach through a branch network focused on delivering high quality service and the right outcomes for customers.

#### ***Becoming simpler and more efficient***

The Group is focused on creating operational capability which is simpler and more efficient than today and will become more responsive to changing customer expectations while maintaining its cost leadership amongst UK high street banks. This includes a second phase of the simplification programme to achieve run-rate savings of £1 billion per annum by the end of 2017. In order to achieve these savings, the Group will invest around £1.6 billion over three years on initiatives to simplify processes and increase automation.

#### ***Delivering sustainable growth***

As the UK economy continues to recover, the Group will seek Group-wide growth opportunities whilst maintaining its prudent risk appetite. This will be achieved by maintaining market leadership in its retail business lines while also focusing on areas where the Group is currently under represented.

#### ***Summary***

The Group is creating a simpler, more agile, efficient and responsive customer-focused organisation which operates sustainably and responsibly and helps Britain prosper. The Group believes that the successful execution of the next phase of its strategy will enable delivery of strong and sustainable returns for shareholders.

### **Businesses and Activities of Lloyds Banking Group**

At 31 December 2014, the Group's activities were organised into five financial reporting segments: Retail; Commercial Banking; Consumer Finance; Insurance and TSB.

#### ***Retail***

Retail offers a broad range of financial service products, including current accounts, savings, personal loans and mortgages, to UK personal customers, including Wealth and small business customers. It is also a distributor of insurance, protection and credit cards, and a range of long-term savings and investment products. Its aim is to be the best bank for customers in the UK, by building deep and enduring relationships

that deliver real value to customers, and by providing them with greater choice and flexibility. It will maintain its multi-brand and multi-channel strategy, and continue to simplify the business and provide more transparent products, helping to improve service levels and reduce conduct risks.

### ***Commercial Banking***

Commercial Banking supports UK businesses from SMEs to large corporates and financial institutions.

It has a client led, low risk strategy targeting sustainable returns on risk-weighted assets above 2 per cent. by the end of 2015 and 2.4 per cent. by the end of 2017, whilst simplifying operating processes, building digital capability and maintaining capital discipline. Commercial Banking aims to be the best bank for clients delivering a through-the-cycle relationship approach that provides affordable, simple and transparent finance, as well as support for complex needs and access to Government funding schemes.

### ***Consumer Finance***

At the beginning of 2014, the Wealth, Asset Finance and International division was replaced by Consumer Finance. This new division provides asset finance solutions, credit cards and merchant services to consumers and commercial customers.

Consumer Finance aims to extend its market leadership in Asset Finance by building its digital capability and creating new propositions in both its Black Horse and Lex Autolease businesses. In Credit Cards, better use will be made of Group customer relationships and insight to seek growth within its current risk profile from both franchise and non-franchise customers.

### ***Insurance***

Insurance provides a broad range of insurance, protection and retirement products to retail and corporate customers, either direct or through the Group's banking branches or through intermediary networks.

#### ***Life, Pensions and Investments***

The Life, Pensions and Investments business provides long-term savings, investment and protection products distributed through intermediaries, direct channels of Scottish Widows and bancassurance through Lloyds Bank, Halifax and Bank of Scotland brands.

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

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

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

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

#### ***General Insurance***

The General Insurance business is a leading provider of home insurance in the UK, with products sold through the branch network, direct channels and strategic corporate partners. The business also has brokerage

operations for personal and commercial insurances. It operates primarily under the Lloyds Bank, Halifax and Bank of Scotland brands.

### **TSB**

TSB is a separately listed multi-channel retail banking business with branches in England, Wales and Scotland. It serves retail and small business customers; providing a full range of retail banking products.

### **Material Contracts**

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

For information relating to the Company's relationship with the UK Government see "*Major Shareholders and Related Party Transactions – Information about the Lloyds Banking Group's relationship with the UK Government*". For information relating to the Group's relationship with the TSB Group see "*Major Shareholders and Related Party Transactions – Information about the Lloyds Banking Group's relationship with the TSB Group*".

### **Competitive Environment**

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

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

The markets for UK financial services, and the other markets within which the Group operates, are competitive, and management expects such competition to continue or intensify in response to competitor behaviour, including non-traditional competitors, consumer demand, technological changes such as the growth of digital banking, and the impact of regulatory actions and other factors.

For more information see "*Risk Factors — Business and economic risks — The Group's businesses are conducted in competitive environments, with increased competition scrutiny, and the Group's financial performance depends upon management's ability to respond effectively to competitive pressures.*"

### **Regulation**

#### ***Regulatory approach of the FCA***

As per the Financial Services Act 2012, the FCA has a strategic function to ensure that the relevant markets function well. In support of this, the FCA has three operational objectives: to secure an appropriate degree of protection for consumers, to protect and enhance the integrity of the UK financial system and to promote effective competition in the interests of consumers.

The FCA Handbook sets out rules and guidance across a range of conduct issues with which financial institutions are required to comply including high level principles of business and detailed conduct of business standards and reporting standards.



### ***Regulatory approach of the PRA***

As per the Financial Services Act 2012, the PRA has two statutory objectives: to promote the safety and soundness of the firms which it supervises and, with respect to insurers, to contribute to the securing of an appropriate degree of protection for policyholders. The PRA's regulatory and supervisory approach incorporates three key characteristics: to take a judgement-based approach, a forward-looking approach, and a focused-approach.

The PRA has largely inherited the prudential aspects of the former FSA Handbook, including regulations and guidance relating to capital adequacy and liquidity among several other things. A PRA Rulebook is also in development which will replace the PRA Handbook and will only apply to PRA-authorised firms.

### ***Other bodies impacting the regulatory regime***

#### ***The Bank of England and HM Treasury***

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

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

The FOS provides consumers with a free and independent service designed to resolve disputes where the customer is not satisfied with the response received from the regulated firm. The FOS resolves disputes for eligible persons that cover most financial products and services provided in (or from) the UK. The jurisdiction of the FOS extends to include firms conducting activities under the CCA. Although the FOS takes account of relevant regulation and legislation, its guiding principle is to resolve cases on the basis of what is fair and reasonable; in this regard, the FOS is not bound by law or even its own precedent. The decisions made by the FOS are binding on regulated firms.

#### ***The Financial Services Compensation Scheme (the “FSCS”)***

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

#### ***Lending Standards Board***

The Lending Standards Board (formerly the Banking Code Standards Board) is responsible for monitoring and enforcing compliance with the voluntary Lending Code introduced on 1 November 2009 (as last amended in October 2014), which relates to certain lending (current account overdrafts, loans and credit cards) to consumers, micro-enterprises and charities with an income of less than £1 million.

#### ***The CMA***

Since 1 April 2014 the competition functions previously exercised by the OFT and the Competition Commission have been transferred to the new CMA or the FCA. The CMA's regulatory and enforcement

powers impact the banking sector in a number of ways, including powers to investigate and prosecute a number of criminal offences under competition law. In addition, the CMA is now the lead enforcer under the Unfair Terms in Consumer Contracts Regulations 1999.

#### *UK Information Commissioner's Office*

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

#### *Independent Commission on Banking (the "**ICB**")*

The Government appointed the ICB to review possible measures to reform the banking system and promote stability and competition. The ICB published its final report on the 12 September 2011 putting forward recommendations to require ring-fencing of the retail activities of banks from their investment banking activities and additional capital requirements beyond those required under current drafts of the Capital Requirements Directive IV. The report also made recommendations in relation to the competitiveness of the UK banking market, including enhancing the competition remit of the new FCA, implementing a new industry-wide switching solution by September 2013, and improving transparency. The ICB, which following the final report completed its remit, had the authority only to make recommendations, which the Government could choose to accept or reject.

The ICB specifically recommended in relation to the Group's disposal of the retail banking business ("**Project Verde**"), that to create a strong challenger in the UK banking market, the entity which results from the divestment should have, or have the capability to achieve, a share of the personal current account ("**PCA**") market of at least 6 per cent. (although this does not need to arise solely from the current accounts acquired from the Group) and a funding position at least as strong as its peers. The ICB did not specify a definitive timeframe for the divested entity to achieve a 6 per cent. market share of PCAs but recommended that a market investigation should be carefully considered by competition authorities if "a strong and effective challenger" has not resulted from the Group's divestment by 2015. The ICB did not recommend explicitly that the Group should increase the size of the Project Verde disposal agreed with the European Commission but recommended that the Government prioritise the emergence of a strong new challenger over reducing market concentration through a "substantially enhanced" divestment by the Group. The Government stated that the execution of the divestment is a commercial matter, and that it has no intention of using its shareholding to deliver an enhancement.

The Government published its response to the ICB recommendations on 19 December 2011 and a White Paper in June 2012. The Government has endorsed the ICB's proposals to ring-fence retail banking operations as part of a wider regulatory framework including capital and liquidity and effective macro- and micro-prudential supervision, which aims to remove any implicit taxpayers' guarantee for the ring-fenced entities. The White Paper suggests that a broader range of customers, products and geographies could be allowed inside the ring-fenced bank and recommends 2019 as an implementation deadline. The Government no longer considers it necessary to give authorities the power to impose a separate resolution buffer to ensure that banks have adequate loss-absorbing capacity. The Group believes it will be important for any transition period to be flexible in order to minimise any impact on economic growth, and to implement the required structural changes.

The ICB also recommended that ring-fenced banks should hold a common equity capital base of at least 10 per cent. and primary loss-absorbing capacity of at least 17 per cent. to absorb the impact of potential losses or financial crises.

On 18 December 2013, the Banking Reform Act was passed. The Act implements the recommendations of the ICB and the Parliamentary Commission on Banking Standards (“PCBS”). The Act notably contains the ring-fencing measures recommended by the ICB, and goes on to introduce a bail-in tool to ensure that banks are better able to absorb losses. Furthermore, the Banking Reform Act helps to ensure accountability for the most important responsibilities within banks, with the introduction of a Senior Persons Regime, as well as a new criminal offence for senior managers, punishable for a maximum of seven years with a fine, for taking a decision which causes a financial institution to fail.

#### *Competition regulation*

The Group is working with the competition regulators who are conducting a number of competition related market studies.

The Banking Reform Act provides for the FCA to gain competition law powers from April 2015. The FCA, with its new competition objective, announced a programme of work where it will look across financial services markets and assess whether or not competition is working effectively in the best interests of consumers, with particular focus on cash savings, credit cards, general insurance, annuities and wholesale sectors. It also conducted a review of the current account switching service and the costs and benefits of account number portability. The CMA has been created to replace the Office of Fair Trading and the Competition Commission from April 2014 and in November 2014 it commenced a Phase 2 competition investigation into personal and SME banking. The new Payment Systems Regulator (“PSR”), created under the FCA is now operational in respect of UK payment systems. Its statutory objectives are to promote effective competition, innovation and to ensure that payment systems are operated and developed in a way that takes account of, and promotes, the interests of users and likely users. It will also have concurrent competition law powers. In discharging its general functions, the PSR must have regard to, among other things, the importance of confidence in, and the stability of, the UK financial system. The UK payments regulator can set fees for all designated payment schemes. From 1 March 2014 the PRA also has a secondary objective under the Banking Reform Act to, so far as reasonably possible, act in a way which facilitates effective competition.

The UK government has a continuing interest in competition and has issued a Ministerial Strategic Steer to the CMA for 2014-2017. The Strategic Steer provides that “the CMA should assess specific sectors where enhanced competition could contribute to faster growth (for example, knowledge intensive sectors, financial services and infrastructure sectors including energy) – working with the responsible regulator where appropriate”.

The new regulatory regime may lead to greater UK Government and regulatory scrutiny in the future and to proposals or initiatives to increase competition, ranging from enforced product and service developments and payment system changes to significant structural changes (in addition to previously announced developments, including the Project Verde divestment and the new account switching service). This increase in competition scrutiny could have a significant effect on the Group’s operations, financial condition or the business of the Group.

For more information see “*Risk Factors - Regulatory and legal risks - The Group and its businesses are subject to substantial regulation, and regulatory and framework oversight. Adverse legal or regulatory developments could have a significant material adverse effect on the Group’s results of operations, financial condition or prospects*” and “*Regulation – Other bodies impacting the regulatory regime.*”

### *EU regulation*

A High Level Expert Group, chaired by Erkki Liikanen (the “**Liikanen Report**”), considered whether there is a need for structural reforms of the EU banking sector and to make relevant proposals as appropriate, with the objective of establishing a stable and efficient banking system serving the needs of citizens, the economy and the internal market. The High Level Expert Group presented its recommendations to the EU Commissioner on 2 October 2012. They recommended a set of five measures that augment and complement the set of regulatory reforms already enacted or proposed by the EU, the Basel Committee and national governments. First, proprietary trading and other significant trading activities should be assigned to a separate legal entity if the activities to be separated amount to a significant share of the bank’s business. This would ensure that trading activities beyond the threshold are carried out on a stand-alone basis and separate from the deposit bank. The other measures include: emphasising the need for banks to draw up and maintain effective and realistic recovery and resolution plans; supporting the use of designated bail out instruments; applying more robust weights in the determination of minimum capital standards; and augmenting existing corporate governance reforms such as strengthening boards and management, promoting the risk management function, rein in compensation for bank management and staff, improving risk disclosure and strengthening sanctioning powers.

On 17 January 2014, the European Commission published a press release confirming that it intends to make a proposal for the reform of the structure of banking in the EU, which will be based on the Liikanen Report. The objective of the reforms will be to make the financial sector as a whole more robust and resilient, to reduce the impact of potential bank failures, and ensure the financial sector is at the service of the real economy. In doing so, the reforms will aim to eliminate the concept of banks being “too big to fail”.

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

CRD IV implements the Basel III agreement in the EU, and has introduced significant changes in the prudential regulatory regime applicable to banks including: increased minimum capital ratios, changes to the definition of capital and the calculation of risk-weighted assets and the introduction of new measures relating to leverage, liquidity and funding. CRD IV also makes changes to rules on corporate governance, including remuneration, and introduce standardised EU regulatory reporting requirements which will specify the information that must be reported to supervisors in areas such as own funds, large exposures and financial information.

### *U.S. regulation*

In the United States, Lloyds Bank maintains a branch in New York, licensed and subject to regulation and examination by the New York State Department of Financial Services. Bank of Scotland plc maintains a state licensed branch in New York and maintains representative offices in Chicago and Houston. The branches and representative offices of Lloyds Bank and Bank of Scotland plc are subject to extensive federal and state supervision and regulation relating to their operations.

The licensing authority of each U.S. branch has the authority, in certain circumstances, to take possession of the business and property of Lloyds Bank and Bank of Scotland plc located in the state of the office it licenses. Such circumstances generally include violations of law, unsafe business practices and insolvency.

The existence of branches and representative offices in the United States subjects the Company and its subsidiaries doing business or conducting activities in the United States to oversight by the Board of Governors of the Federal Reserve System (the “**Federal Reserve Board**”).

Each of the Company, Lloyds Bank, HBOS plc and Bank of Scotland plc is a foreign banking organisation treated as a bank holding company within the meaning of the U.S. Bank Holding Company Act of 1956 (the “**BHC Act**”) in accordance with the provisions of the International Banking Act of 1978 and has elected to be treated as a financial holding company under the BHC Act.

Financial holding companies may engage in a broader range of financial and related activities than are permitted to bank holding companies that do not maintain financial holding company status, including underwriting and dealing in all types of securities. To maintain financial holding company status, the Company, Lloyds Bank, HBOS plc and Bank of Scotland plc are required to meet certain capital ratios and be deemed to be “well managed” for purposes of the Federal Reserve Board’s regulations. The Group’s direct and indirect activities and investments in the United States are limited to those that are “financial in nature” or “incidental” or “complementary” to a financial activity, as determined by the Federal Reserve Board. The Group is also required to obtain the prior approval of the Federal Reserve Board before acquiring, directly or indirectly, the ownership or control of more than 5 per cent. of any class of the voting shares of any U.S. bank or bank holding company.

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

A major focus of U.S. governmental policy relating to financial institutions in recent years has been combating money laundering and terrorist financing and enforcing compliance with U.S. economic sanctions, with serious legal and reputational consequences for any failures arising in these areas. The Group engages, or has engaged, in a limited amount of business with counterparties in certain countries which the U.S. State Department currently designates as state sponsors of terrorism, including Iran, Syria, Cuba and Sudan. The Group continues to reduce its outstanding exposures to such states which have arisen through historical business activity. In accordance with this, the Group intends to engage only in new business in such jurisdictions only in very limited circumstances where the Group is satisfied concerning legal, compliance and reputational issues.

As at 31 December 2014, the Group does not believe the Group’s business activities relating to countries designated as state sponsors of terrorism were material to its overall business.

The Group estimates that the value of the Group’s business in respect of such states represented less than 0.01 per cent. of the Group’s total assets and, for the twelve months ended 31 December 2014, the Group believes that the Group’s revenues from all activities relating to such states were less than 0.001 per cent. of its total income, net of insurance claims. This information has been compiled from various sources within the Group, including information manually collected from relevant business units, and this has necessarily involved some degree of estimate and judgement.

#### *Dodd-Frank Act*

In July 2010, the United States enacted the Dodd-Frank Act, which provides a broad framework for significant regulatory changes that extend to almost every area of U.S. financial regulation. The Dodd-Frank Act addresses, among other issues, systemic risk oversight, bank capital standards, the resolution of failing systemically significant financial institutions in the U.S., over-the-counter derivatives, restrictions on the ability of banking entities to engage in proprietary trading activities and make investments in and sponsor certain private equity funds and hedge funds (known as the “**Volcker Rule**”), asset securitisation activities and securities market conduct and oversight. U.S. regulators have implemented many provisions of the Dodd-Frank Act through detailed rulemaking. Although the majority of required rules and regulations have now

been finalised, there remain many still in proposed form or yet to be proposed, the substance and impact of which may not fully be known until the final rules are published.

Under the Dodd-Frank Act, entities that are swap dealers and major swap participants must register with the U.S. Commodity Futures Trading Commission (the “**CFTC**”), and entities that are security-based swap dealers or major security-based swap participants will be required to register with the SEC. The CFTC has promulgated its registration rules for swap dealers and major swap participants, but the SEC has yet to finalise its registration rules for security-based swap dealers and major security-based swap participants. The Bank provisionally registered as a swap dealer in 2013 and as such, is subject to regulation and supervision by the CFTC and the National Futures Association with respect to its swap activities, including risk management, practices, trade documentation and reporting, business conduct and recordkeeping, among other things.

The New York branch of the Bank is subject to the swap “push-out” provisions of the Dodd-Frank Act, which will require monitoring to ensure the Group conducts its derivatives activities in conformity with the implementing regulations. In December 2014, the swap “push out” provisions of the Dodd-Frank Act were amended such that fewer swap activities need to be pushed out of covered depository institutions.

Furthermore, the Dodd-Frank Act requires the SEC to cause issuers with listed securities, which may include foreign private issuers such as the Group, to establish a “clawback” policy to recoup previously awarded employee compensation in the event of an accounting restatement. The Dodd-Frank Act also grants the SEC discretionary rule-making authority to impose a new fiduciary standard on brokers, dealers and investment advisers, and expands the extraterritorial jurisdiction of U.S. courts over actions brought by the SEC or the United States with respect to violations of the antifraud provisions of the United States Securities Act of 1933, as amended (the “**Securities Act**”), the Securities Exchange Act of 1934 and the Investment Advisers Act of 1940.

In December 2013, US regulators adopted final rules implementing the Volcker Rule. Banking entities, including foreign banking organisations subject to the BHC Act, such as the Company, the Bank, HBOS plc and Bank of Scotland plc, are subject to the final rules. The final rules require banking entities to conform to the restrictions on proprietary trading activities, hedge fund and private equity activities and certain other enumerated investment restrictions, subject to a number of exclusions and exemptions that substantially limit their extraterritorial reach. Certain foreign banking entities are permitted to engage in proprietary trading from outside the United States if the trade lacks the requisite US nexus and the foreign banking entity complies with the various conditions of the exemption. Investments in, and sponsorship of certain retail investment funds organised outside the United States and publicly offered predominantly outside the United States, and certain retirement and pension funds organised and administered outside the United States for the benefit of non-US residents are generally permitted under the final rules. Certain foreign banking entities, but not any US branch, agency or subsidiary of a foreign banking entity, nor any non-US affiliate controlled by such a US branch, agency or subsidiary, are also permitted to invest in and sponsor certain funds in which ownership interests are not offered for sale or sold inside the United States or to US residents and subject to other conditions. The final rules impose significant compliance and reporting obligations on banking entities. Banking entities have until 21 July 2015 to bring their activities and investments into conformity with the Volcker Rule, however, on 18 December 2014, the Federal Reserve issued an order extending the Volcker Rule’s conformance period until 21 July 2016 for investments in and relationships with certain covered funds and certain foreign funds that were in place on or prior to 31 December 2013.

In February 2014, pursuant to the Dodd-Frank Act’s systemic risk regulation provisions, the Federal Reserve Board adopted final rules that will apply enhanced prudential standards to the US operations of large foreign banking organisations, including the Group. Under the Federal Reserve Board’s final rules, a number of large foreign banking organisations will be required to establish a separately capitalised top-tier US intermediate holding company (“**IHC**”) that will hold all of the large foreign banking organisation’s US bank and non-

bank subsidiaries, except its US branches and agencies and specified types of subsidiaries. However, this requirement will not apply to a large foreign banking organisation with combined US assets of less than \$50 billion, excluding assets held by its US branches and agencies. The Group does not anticipate that the requirement to form an IHC, will apply to the Group. In addition, under the final rules, effective 1 July 2016, US branches and agencies of foreign banking organisations with \$50 billion or more in total global consolidated assets, such as the Group, will be subject to liquidity home country capital certification and, in certain circumstances, asset maintenance requirements. These foreign banking organisations must also maintain a US Risk Committee as of 1 July 2016. However, final rules for single counterparty credit limits and for early remediation have yet to be finalised. The Dodd-Frank Act and related rules and regulations will result in additional costs and impose certain limitations and restrictions on the way that the Group conducts its business, although uncertainty remains about some of the final details, impact and timing of the implementing regulations.

## **Legal Actions and Regulatory Matters**

During the ordinary course of business the Group is subject to threatened or actual legal proceedings and regulatory reviews and investigations both in the UK and overseas. Set out below is a summary of the more significant matters.

### *Interchange fees*

On 11 September 2014, the European Court of Justice (the “**ECJ**”) upheld the European Commission’s 2007 decision that an infringement of EU competition law had arisen from arrangements whereby MasterCard issuers charged a uniform fallback multilateral interchange fee (“**MIF**”) in respect of cross-border transactions in relation to the use of a MasterCard or Maestro branded payment card.

In parallel:

- the European Commission has proposed legislation to regulate interchange fees which continues through the EU legislative process. A political agreement has been reached between the European Parliament and the Council and the legislation is expected to be adopted and come into force in the second quarter of 2015 with certain articles applying six months or a year after that (the adoption and entry into force dates remain subject to change);
- the European Commission has adopted commitments proposed by VISA to settle an investigation into VISA’s cross-border interchange arrangements and aspects of its scheme rules. VISA has, amongst other things, agreed to reduce the level of interchange fees for cross-border card transactions to: 30 basis points (for credit) and 20 basis points (for debit). VISA has also changed a number of its rules in relation to cross-border acquiring. MasterCard unilaterally undertook, amongst other things, to reduce the level of cross-border interchange fees to the same levels as agreed between the European Commission and VISA;
- the European Commission also continues to pursue other competition investigations into MasterCard and Visa probing, amongst other things, interchange paid in respect of cards issued outside the EEA;
- litigation continues in the English High Court against both Visa and MasterCard. This litigation has been brought by several retailers who are seeking damages for allegedly ‘overpaid’ MIFs; and
- the new UK payments regulator may exercise its powers, when these come into force (in April 2015), to regulate domestic interchange fees. In November 2014, the CMA announced that it would not reopen the investigation into domestic interchange levels at this time following MasterCard’s agreement to introduce a phased reduction of domestic interchange rates commencing in April 2015. In addition, the FCA has started a market study in relation to the UK credit cards market.

The ultimate impact on the Group of the above investigations, regulatory or legislative developments and the litigation against VISA and MasterCard can only be known at the conclusion of these matters.

#### *Payment Protection Insurance*

Following the unsuccessful legal challenge by the British Bankers' Association (the "**BBA**") against the FSA (now the FCA) and the FOS, the Group made provisions totalling £9,825 million to 31 December 2013 against the costs of paying redress to customers in respect of past sales of PPI policies, including the related administrative expenses.

During 2014 customer initiated complaints have continued to fall albeit slower than expected. The proactive mailings have been substantially completed and remediation of previously defended cases commenced. A further £2,200 million has been added to the provision in 2014, which brings the total amount provided to £12,025 million, of which approximately £2,520 million relates to anticipated administrative expenses.

As at 31 December 2014, £2,549 million of the provision remained unutilised (21 per cent. of total provision) relative to an average monthly spend including administration costs in 2014 of approximately £205 million. The main drivers of the provision are as follows:

Volumes of customer initiated complaints (after excluding complaints from customers where no PPI policy was held).

At 31 December 2013, the provision assumed a total of 3.0 million complaints would be received. During 2014, complaint volumes were 22 per cent. lower than 2013, but continue to be higher than expected. As a result, the Group is forecasting a slower decline in future volumes than previously expected, largely due to more sustained Claims Management Company ("**CMC**") activity; non-CMC complaints have declined sharply. This has resulted in a further provision of approximately £1,080 million. At 31 December 2014, approximately 3 million complaints have been received, with the provision assuming approximately a further 0.6 million complaints will be received in the future.

#### *Proactive mailings resulting from past business reviews ("**PBR**")*

The Group is proactively mailing customers where it has been identified that there was a risk of potential misale. At 31 December 2014 mailing of the original scope has been completed. During 2014, as a result of ongoing monitoring, some limited additional mailings have been added to the PBR scope. In addition, PBR responses to mailings have been higher than expected resulting in a further provision for PBR of approximately £300 million added during 2014.

#### *Uphold rates*

Uphold rates have increased following changes to the complaint handling policy. The impact to date and going forward resulted in a £110 million increase to the provision.

#### *Average redress*

Average redress per policy has increased, reversing the trend seen in the first three quarters of 2014. This higher level is expected to continue going forward and has resulted in an additional provision for the year of £40 million.

#### *Re-review of previously handled cases*

Approximately 0.6 million cases were included within the scope of remediation at 31 December 2013. These largely related to previously defended complaints which are being reviewed again to ensure consistency with the current complaint handling policy, now in operation. This exercise has commenced and is expected to be substantially complete by the end of June 2015, albeit with payments made in the second half of 2015 for some cases. The Group expects to uphold more of these cases due to the recent increase in uphold rates.



Further cases have also been added to the remediation scope and relate to previously upheld cases. These cases have previously received redress and may receive a top-up payment. Given the increase in uphold rates and additional volumes to the scope, this has resulted in a further provision for the year of £250 million.

#### Expenses

The Group expects to maintain the PPI operation on its current scale for longer than previously expected given the update to volume related assumptions and the re-review of previously handled cases continuing into 2015. The estimate for administrative expenses, which comprise litigation and complaint handling costs as well as costs arising from cases subsequently referred to the FOS, has increased by approximately £420 million in 2014.

An Enforcement team of the FCA is investigating the Group's governance of third party suppliers and potential failings in the PPI complaint handling process. This investigation is ongoing and it is not possible at this stage to make any assessment of what, if any, additional liability may result from the investigation, although the administration costs of supporting the investigation have been provided for previously.

The Group estimates that it has sold approximately 16 million policies since 2000. These include policies that were not misold as they were suitable for, and appropriately disclosed to, the customer. Since the commencement of the PPI redress programme in 2011 the Group estimates that it has contacted, settled or provided for approximately 45 per cent. of the policies sold since 2000, covering both customer-initiated complaints and actual and expected proactive mailings undertaken by the Group.

The total amount provided for PPI represents the Group's best estimate of the likely future costs, albeit a number of risks and uncertainties remain, including complaint volumes, uphold rates, average redress paid, the scope and cost of proactive mailings and remediation, litigation costs and the outcome of the FCA enforcement investigation. The cost of these factors could differ materially from the Group's estimates and the assumptions underpinning them and could result in a further provision being required.

The provision remains sensitive to future trends; as an example, were reactive complaint levels in the first two quarters of 2015 to remain broadly in line with the fourth quarter of 2014 then the revised modelled total complaints and associated administration costs would increase the provision by approximately £700 million.

#### *Investigation and litigation relating to interbank offered rates, and other references rates*

##### *LIBOR and other trading rates*

During 2014, the Group charged £225 million to the income statement in respect of this matter. In July, the Group announced that it had reached settlements totalling £217 million (at 30 June 2014 exchange rates) to resolve with UK and US federal authorities legacy issues regarding the manipulation several years ago of Group companies' submissions to the BBA London Interbank Offered Rate ("**LIBOR**") and Sterling Repo Rate.

On LIBOR, the Group has reached settlements with the FCA in the United Kingdom, the CFTC and the United States Department of Justice (the "**DOJ**") in relation to investigations into submissions between May 2006 and 2009 and related systems and controls failings.

The settlements in relation to LIBOR are part of an industry-wide investigation into the setting of interbank offered rates across a range of currencies. Under the settlement, the Group has paid £35 million, £62 million and £50 million to the FCA, CFTC and DOJ respectively. As part of the settlement with the DOJ, the Group has also entered into a two-year Deferred Prosecution Agreement in relation to one count of wire fraud relating to the setting of LIBOR.

In relation to the BBA Sterling Repo Rate, the Group has reached a settlement with the FCA regarding submissions made between April 2008 and September 2009. This issue involved four individuals who the FCA has concluded manipulated BBA Repo Rate submissions to reduce fees payable under the Special Liquidity Scheme (the “SLS”). The issue was proactively brought to the FCA’s attention when it was identified by the Group as part of its internal investigation into the LIBOR issues.

The Group has paid £70 million to the FCA in connection with the resolution of the BBA Repo Rate issue and related systems and controls failings. Both the CFTC and DOJ settlements are in respect of LIBOR only and neither agency has taken action regarding the BBA Repo Rate.

The BBA Repo Rate was used by the Bank of England to calculate the fees for the SLS. During the period that the Bank and HBOS used the SLS they paid £1,278 million in fees, just under half of all the fees payable by the industry under the scheme. As a result of the actions of the four individuals involved, the Group has paid nearly £8 million to compensate the Bank of England for amounts underpaid (by the Bank and HBOS and the other banks that used the SLS).

The Group continues to cooperate with various other government and regulatory authorities, including the Serious Fraud Office, the European and Swiss Competition Commissions, and a number of U.S. State Attorneys General, in conjunction with their investigations into submissions made by panel members to the bodies that set LIBOR and various other interbank offered rates.

Certain Group companies, together with other panel banks, have also been named as defendants in private lawsuits, including purported class action suits, in the U.S. in connection with their roles as panel banks contributing to the setting of U.S. Dollar and Japanese Yen LIBOR. The claims have been asserted by plaintiffs claiming to have had an interest in various types of financial instruments linked to U.S. Dollar and Japanese Yen LIBOR. The allegations in these cases, the majority of which have been coordinated for pre-trial purposes in multi-district litigation proceedings (“MDL”) in the U.S. Federal Court for the Southern District of New York (the “**District Court**”), are substantially similar to each other. The lawsuits allege violations of the Sherman Antitrust Act, the Racketeer Influenced and Corrupt Organizations Act (“**RICO**”) and the Commodity Exchange Act (“**CEA**”), as well as various state statutes and common law doctrines. Certain of the plaintiffs’ claims have been dismissed by the District Court.

The Group is also reviewing its activities in relation to the setting of certain foreign exchange daily benchmark rates and related matters, following the FCA’s publicised initiation of an investigation into other financial institutions in relation to this activity. The Group is co-operating with the FCA and other regulators and is providing information about the Group’s review to those regulators. In addition, the Group, together with a number of other banks, was named as a defendant in several actions filed in the District Court between late 2013 and February 2014, in which the plaintiffs alleged that the defendants manipulated WM/Reuters foreign exchange rates in violation of US antitrust laws. On 31 March 2014, plaintiffs effectively withdrew their claims against the Group (but not against all defendants) by filing a superseding consolidated and amended pleading against a number of other defendants without naming any Group entity as a defendant.

It is currently not possible to predict the scope and ultimate outcome on the Group of the outstanding regulatory investigations not encompassed by the settlements, any private lawsuits or any related challenges to the interpretation or validity of any of the Group’s contractual arrangements, including their timing and scale.

#### *Litigation in relation to insurance branch business in Germany*

Clerical Medical Investment Group Limited (“**CMIG**”) has received a number of claims in the German courts, relating to policies issued by CMIG but sold by independent intermediaries in Germany, principally during the late 1990s and early 2000s. Following decisions in July 2012 from the Federal Court of Justice

(“FCJ”) in Germany the Group recognised provisions totalling £400 million in 2012 and 2013. Volumes of claims have not decreased as quickly as expected and as a result the Group has recognised a further £120 million during 2014 bringing the total provision to £520 million. The remaining unutilised provision as at 31 December 2014 is £199 million.

The validity of the claims facing CMIG depends upon the facts and circumstances in respect of each claim. As a result the ultimate financial effect, which could be significantly different from the current provision, will only be known once all relevant claims have been resolved.

#### *Interest rate hedging products*

In June 2012, a number of banks, including the Group, reached an agreement with the FSA (now the FCA) to carry out a review of sales made since 1 December 2001 of interest rate hedging products (“IRHP”) to certain small and medium-sized businesses. As at 31 December 2014 the Group had identified 1,676 sales of IRHPs to customers within scope of the agreement with the FCA which have opted in and are being reviewed and, where appropriate, redressed. The Group agreed that on conclusion of this review it would provide redress to any in-scope customers where appropriate. The Group continues to review the remaining cases within the scope of the agreement with the FCA but has met all of the regulator’s requirements to date.

During 2014, the Group has charged a further £150 million in respect of estimated redress costs, increasing the total amount provided for redress and related administration costs for in-scope customers to £680 million (31 December 2013: £530 million). This increase relates to an extension in the timetable for customers being able to opt-in to the review and the volume and complexity of claims. As at 31 December 2014, the Group has utilised £571 million (31 December 2013: £162 million), with £109 million (31 December 2013: £368 million) of the provision remaining.

#### *Provisions for other legal actions and regulatory matters*

In the course of its business, the Group is engaged in discussions with the PRA, FCA and other UK and overseas regulators and other governmental authorities on a range of matters. The Group also receives complaints and claims from customers in connection with its past conduct and, where significant, provisions are held against the costs expected to be incurred as a result of the conclusions reached. In 2014 the provision was increased by a further £430 million, in respect of a number of matters affecting the Retail, Commercial Banking and Consumer Finance divisions, including potential claims and remediation in respect of products sold through the branch network and continuing investigation of matters highlighted through industry-wide regulatory reviews, as well as legacy product sales and historical systems and controls such as those governing legacy incentive schemes. This brings the total amount charged to £730 million of which £209 million had been utilised at 31 December 2014. This increase reflected the Group’s assessment of a limited number of matters under discussion, none of which currently is individually considered financially material in the context of the Group.

#### *UK shareholder litigation*

In August 2014, the Group and a number of former directors were named as defendants in a claim filed in the English High Court by a number of claimants who held shares in Lloyds TSB Group plc prior to the acquisition of HBOS plc, alleging breaches of fiduciary and tortious duties in relation to information provided to shareholders in connection with the acquisition and the recapitalisation of Lloyds TSB Group plc. The claim is at an early stage and so it is currently not possible to determine the ultimate impact on the Group (if any), but it intends to defend the claim vigorously.

#### *Financial Services Compensation Scheme*

The FSCS is the UK’s independent statutory compensation fund of last resort for customers of authorised financial services firms and pays compensation if a firm is unable or likely to be unable to pay claims against

it. The FSCS is funded by levies on the authorised financial services industry. Each deposit-taking institution contributes towards the FSCS levies in proportion to their share of total protected deposits on 31 December of the year preceding the scheme year, which runs from 1 April to 31 March.

Following the default of a number of deposit takers in 2008, the FSCS borrowed funds from HM Treasury to meet the compensation costs for customers of those firms. At the end of the latest FSCS scheme year (31 March 2014), the principal balance outstanding on these loans was £16,591 million (31 March 2013: £17,246 million). Although the substantial majority of this loan will be repaid from funds the FSCS receives from asset sales, surplus cash flow or other recoveries in relation to the assets of the firms that defaulted, any shortfall will be funded by deposit-taking participants of the FSCS. The amount of future levies payable by the Group depends on a number of factors including the amounts recovered by the FSCS from asset sales, the Group's participation in the deposit-taking market at 31 December, the level of protected deposits and the population of deposit-taking participants.

#### *Investigation into Bank of Scotland and report on HBOS*

The FSA's enforcement investigation into Bank of Scotland plc's Corporate division between 2006 and 2008 concluded with the publication of a Final Notice on 9 March 2012. No financial penalty was imposed on the Group or Bank of Scotland plc. On 12 September 2012 the FSA confirmed it was starting work on a public interest report on HBOS. That report is now being produced as a joint PRA / FCA report. Although the Terms of Reference for the HBOS review (issued on 11 July 2014) stated an aim to publish the final report by the end of 2014, the report has not yet been published.

#### *U.S.-Swiss tax programme*

The DOJ and the Swiss Federal Department of Finance announced on 29 August 2013 a programme for Swiss banks to obtain resolution concerning their status in connection with on-going investigations by the DOJ into individuals and entities that use foreign (i.e. non-US) bank accounts to evade US taxes and reporting requirements, and individuals and entities that facilitate or have facilitated the evasion of such taxes and reporting requirements. Swiss banks that chose to participate notified the DOJ of their election to categorise their relevant banking operations according to one of a number of defined categories under the programme.

The Group carried out private banking operations in Switzerland with assets under management of approximately £7 billion. Those operations were sold in November 2013. Therefore, as a protective measure, in December 2013 the Group notified the DOJ of its intent to participate in the programme. Having completed due diligence under the terms of the programme, the Group has concluded that its further participation in the programme is not warranted and it has communicated to the DOJ its decision to withdraw from the programme.

#### *Tax authorities*

The Group provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to tax authorities. This includes open matters where Her Majesty's Revenue and Customs ("HMRC") adopt a different interpretation and application of tax law which might lead to additional tax. The Group has an open matter in relation to a claim for group relief of losses incurred in its former Irish banking subsidiary, which ceased trading on 31 December 2010. In the second half of 2013 HMRC informed the Group that their interpretation of the UK rules, permitting the offset of such losses, denies the claim; if HMRC's position is found to be correct management estimate that this would result in an increase in current tax liabilities of approximately £600 million and a reduction in the Group's deferred tax asset of approximately £400 million. The Group does not agree with HMRC's position and, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due.

#### *Residential mortgage repossession*

In August 2014, the Northern Ireland High Court handed down judgment in favour of the borrowers in relation to three residential mortgage test cases, concerning certain aspects of the Group's practice with respect to the recalculation of contractual monthly instalments of customers in arrears. The Group is reviewing the issues raised by the judgment and will respond as appropriate to any investigations or proceedings that may in due course be instigated as a result of these issues.

#### *Contingent liabilities in respect of other legal actions and regulatory matters*

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

## **Major Shareholders and Related Party Transactions**

### ***Major Shareholders***

On 25 March 2015, the Company was notified that the Solicitor for the Affairs of Her Majesty's Treasury ("HM Treasury") had a direct interest of 21.99 per cent. (15,697,240,024 ordinary shares) in the Company's issued share capital with rights to vote in all circumstances at general meetings. As at 31 December 2014, 31 December 2013 and 31 December 2012, the Company had received notification from HM Treasury that it had a direct interest of 24.9 per cent., 32.7 per cent. and 39.7 per cent. respectively in the Company's issued ordinary share capital. As at 2 April 2015 no other notification has been received that anyone has an interest of 3 per cent. or more in the Company's issued ordinary share capital. Further information on HM Treasury's shareholding in the Company is provided in "*Information about the Lloyds Banking Group's relationship with the UK Government and Business*" and "*History and Development of Lloyds Banking Group*".

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

### ***Related Party Transactions***

The Group, as at 31 December 2014, had related party transactions with 23 key management personnel, certain of its pension funds, collective investment schemes and joint ventures and associates and TSB Banking Group plc and TSB Bank plc. In addition, material contracts with TSB Banking Group plc and TSB Bank plc are described in "*Information about the Lloyds Banking Group's relationship with the TSB Group*" below and material contracts with HM Treasury are described in "*Information about the Lloyds Banking Group's relationship with the UK Government*" below.

Following the initial public offering in June 2014 TSB Banking Group plc and TSB Bank plc became related parties of the Group. The Group has entered into a number of contracts with TSB Banking Group plc and TSB Bank plc for the provision of a range of banking operations services.

The UK Government through HM Treasury became a related party of the Group in January 2009, and from 1 January 2011, in accordance with IAS 24, UK Government-controlled entities became related parties of the Group. As at 31 December 2014, HM Treasury held more than 20 per cent. of the Company's ordinary share capital and consequently HM Treasury remained a related party of the Company during the year ended

31 December 2014. The Group regards the Bank of England and entities controlled by the UK Government, including The Royal Bank of Scotland Group plc, NRAM plc and Bradford & Bingley plc, as related parties.

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

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

The Group also engages in numerous transactions on arm’s length commercial terms in the ordinary course of its business with the UK Government and its various departments and agencies, as well as with other companies in which the UK Government has invested. This includes financings, lending, banking, asset management and other transactions with UK financial institutions in which the UK Government has invested. During 2010, 2011, 2012, 2013 and 2014 the Group made use of these measures in order to maintain and improve a stable funding position.

#### ***Information about the Lloyds Banking Group’s relationship with the TSB Group***

On 9 June 2014, an initial public offering of ordinary shares of one pence each in the capital of TSB Banking Group plc was made (the “**TSB Share Offer**”) and such ordinary shares issued were admitted to the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange plc’s main market for listed securities (together, the “**TSB Admission**”). At the time of the TSB Share Offer, TSB Banking Group plc had one principal subsidiary, TSB Bank plc, a company incorporated in Scotland which carried on a retail banking business operating in the UK. Until the TSB Admission, TSB Banking Group plc was a wholly-owned subsidiary of the Bank which is a wholly owned subsidiary of the Company. Pursuant to the Offer, the Bank sold 192,500,000 ordinary shares in the capital of TSB, representing 38.5 per cent. of the ordinary share capital of TSB. On 26 September 2014, the Group announced that it had sold a further 57.5 million ordinary shares in TSB, representing approximately 11.5 per cent. of TSB’s ordinary share capital, reducing the Group’s holding in TSB to approximately 50 per cent. of TSB’s ordinary share capital. The deadline for full divestment of all shares in TSB is 31 December 2015 (with this date extendable to June 2016 or December 2016 in certain circumstances).

Pursuant to the terms of the TSB Share Offer, certain agreements, discussed below, were entered into by the Company and other parties, which became effective on the TSB Admission.

#### ***Separation Agreement***

TSB Banking Group plc, TSB Bank plc and the Bank entered into a separation agreement on 9 June 2014 (the “**Separation Agreement**”). The Separation Agreement governs the separation of the TSB Bank plc, its consolidated subsidiaries and subsidiary undertakings from time to time (together “**TSB Group**”) from the Company and certain aspects of the relationship between the TSB Group and the Company following the TSB Admission, including (amongst other things) the allocation of certain pre-TSB Admission liabilities, including liability for breach of law and regulation and of customer terms and conditions.

Under the terms of the Separation Agreement, Lloyds Bank agreed to provide each member of the TSB Group with indemnity protections in respect of historical, pre-TSB Admission issues (including issues in relation to the period between 9 September 2013, when TSB launched as a stand-alone bank, and the TSB Admission). This protection includes a broad and, save in certain limited respects, uncapped indemnity in respect of losses arising from pre-TSB Admission acts or omissions that constitute breaches of law and regulation relating to customer agreements or the relevant security interest securing liability under such agreements (the “**Conduct Indemnity**”). The Conduct Indemnity provides TSB Group with economic protection against a wide range of types of losses resulting from historical conduct issues, including the costs of handling and settling customer claims and managing regulatory actions and investigations, the payment of regulatory or court imposed fines and penalties, the costs of any required customer redress, the costs of implementing required changes to systems and procedures and, subject to certain conditions and limitations, the costs of remedial marketing activity.

The Conduct Indemnity also provided the TSB Group with a limited period of continued protection for actions or omissions between the TSB Admission and 31 December 2014. Further indemnities were included in the Separation Agreement in respect of losses arising from certain persistent or systemic breaches and certain liabilities in respect of certain employment related litigation and in relation to Lloyds Banking Group pension schemes.

### ***Transitional Services Agreement***

TSB Bank plc and Lloyds Bank entered into a transitional services agreement (“**TSA**”) and a Long Term Services Agreement (the “**LTSA**”) on 9 June 2014. Under the TSA, Lloyds Bank provides certain IT and operational services to TSB Banking Group plc, on a transitional basis, for a term of up to the end of 31 December 2016 with certain services (including the IT services) continuing to be provided by Lloyds Bank to TSB on and from 1 January 2017 for a term of up to seven and a half years under the LTSA.

TSB Bank plc pays a core monthly service charge that includes an agreed baseline of service volumes. TSB Bank plc may terminate the TSA or the LTSA (or services thereunder) for cause or for convenience before its expiry date subject to minimum notice requirements. Lloyds Bank may only terminate the TSA or LTSA if required to do so by a regulatory authority or by law, or for non-payment of material charges by TSB Bank plc.

The LTSA outlines the respective responsibilities of each of TSB Bank plc and Lloyds Bank in relation to exit and provides a mechanism for the parties to continue to define and agree their respective obligations in detailed technical and commercial exit plans during the 12 months following the TSB Admission. Due to the critical nature of the IT services, Lloyds Bank and TSB Bank plc have defined in advance some specific transfer and migration options for TSB Banking Group plc’s IT operations and data to a third party provider or another financial institution with whom TSB Banking Group plc enters into a merger or acquisition, as the case may be, to operate on TSB Banking Group plc’s behalf. Lloyds Bank would assume the cost of creating and transferring a clone operating system to a third party operator, subject to a £50 million contribution from TSB Banking Group plc or, alternatively, if TSB Banking Group plc exits the IT services via another migration option, Lloyds Bank has agreed to make a £450 million contribution to TSB Banking Group plc’s costs of undertaking the migration, and TSB Banking Group may elect to spend some or all of the £450 million obtaining exit assistance services from Lloyds Bank. With certain exceptions, Lloyds Bank has agreed to support the exit of the services (including both IT services and non-IT services) on a time and materials at cost basis.

### ***Mortgage Sale and Servicing Agreements***

On 4 March 2014, TSB Bank plc and Bank of Scotland plc entered into a mortgage sale agreement in relation to the equitable assignment (which took effect from 28 February 2014) of a portfolio of residential mortgages

(“**Additional Mortgages**”) transferred by Bank of Scotland plc to TSB Bank plc (“**MSA**”) as well as a mortgage servicing agreement (“**Servicing Agreement**”). Pursuant to the MSA, TSB Bank plc purchased the equitable interest of Bank of Scotland plc in the Additional Mortgages for approximately £3.4 billion (being equal to the fair value of the Additional Mortgages at the time of transfer). Under the terms of the MSA, legal title in the Additional Mortgages has remained and will remain with Bank of Scotland plc unless a perfection event occurs (namely an insolvency event in relation to Bank of Scotland plc, specified material breach by Bank of Scotland plc of its obligations under the MSA or following termination of the appointment of Bank of Scotland plc as servicer under the MSA at the option of TSB Bank plc). Unless and until any such perfection event occurs, the Additional Mortgage customers remain customers of Bank of Scotland plc. In the Servicing Agreement, Bank of Scotland plc agreed to service the Additional Mortgages, including all aspects of the customer relationship, in return for the payment by TSB Bank plc of a monthly servicing fee equivalent to 0.12 per cent. per annum of the outstanding balance of the Additional Mortgages (subject to a minimum monthly fee of £175,000 from 1 July 2018).

### ***RMBS Funding Facility Agreements***

On 20 May 2014, TSB Bank plc and a special purpose vehicle established by TSB Bank plc (“**TSB RMBS SPV**”) and others entered into the RMBS Mortgage Sale Agreement, and the same parties, together with Lloyds Bank and others entered into a variable funding note issuance deed (“**VFNID**”) and other ancillary documents in relation to the securitisation structure by which TSB Banking Group plc part-funds the Additional Mortgages (the “**RMBS Funding Facility**”).

Under the terms of the VFNID, senior funding is raised by TSB RMBS SPV through a combination of drawings on a variable funding note (“**VFN**”) issued by TSB RMBS SPV to Lloyds Bank (the “**Lloyds VFN**”), and TSB Bank. Subject to certain conditions, up until 17 December 2018, TSB RMBS SPV has the option to repay and redraw the Lloyds VFN (in whole or in part).

### ***Information about the Lloyds Banking Group’s relationship with the UK Government***

#### ***HM Treasury Shareholding***

On 25 March 2015, the Solicitor for the Affairs of Her Majesty’s Treasury formally notified the Company that HM Treasury’s holding had reduced to 21.99 per cent. of the Company’s issued share capital with rights to vote in all circumstances at general meetings. HM Treasury’s percentage holding has reduced from 32.7 per cent. at 31 December 2013 by way of an accelerated bookbuilding process to institutional investors and a pre-arranged trading plan.

HM Treasury’s shareholding in the Company is a consequence of its subscription for equity securities of the Company and of HBOS (prior to the acquisition of HBOS by the Company) in a placing and open offer and preference share subscription, the concomitant placing and open offer by HBOS, the 2009 Placing and Open Offer and the Company’s 2009 Rights Issue.

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

The goals of the framework document are consistent with the stated public policy aims of HM Treasury, as articulated in a variety of public announcements. In the publication “*An Introduction: Who We Are, What We Do and the Framework Document Which Governs the Relationship Between UKFI and HM Treasury*”, it is stated that UKFI is to “develop and execute an investment strategy for disposing of the investments in the



banks in an orderly and active way through sale, redemption, buy-back or other means within the context of an overarching objective of protecting and creating value for the taxpayer as shareholder, paying due regard to the maintenance of financial stability and to acting in a way that promotes competition". It further states that UKFI will manage the shareholdings of UK financial institutions in which HM Treasury holds an interest 'on a commercial basis and will not intervene in day-to-day management decisions of the Investee Companies (as defined therein) (including with respect to individual lending or remuneration decisions)'. The Company and HM Treasury in January 2009 entered into a registration rights agreement granting customary demand and 'piggyback' registration rights in the United States under the Securities Act, to HM Treasury with respect to any ordinary shares of the Group held by HM Treasury. The agreement was amended in June 2009 to include as registrable securities the new shares subscribed for by HM Treasury in the 2009 Placing and Open Offer, any other securities in the Company called by HM Treasury to be issued by any person and any securities issued by HM Treasury which are exchangeable for, convertible into, give rights over or are referable to any such securities. The Company also in June 2009 entered into a resale rights agreement with HM Treasury in which it agreed to provide its assistance to HM Treasury in connection with any proposed sale by HM Treasury of ordinary shares, other securities held by HM Treasury in the Company or any securities of any description caused by HM Treasury to be issued by any person which are exchangeable for, convertible into, give rights over or are referable to such ordinary shares or other securities issued by the Group, to be sold in such jurisdictions (other than the United States) and in such manner as HM Treasury may determine.

#### *Other related party transactions with the UK Government*

#### **Government and central bank facilities**

During the year ended 31 December 2014, the Group participated in a number of schemes operated by the UK Government and central banks and made available to eligible banks and building societies.

#### **National Loan Guarantee Scheme**

The Group has participated in the UK Government's National Loan Guarantee Scheme, which was launched on 20 March 2012. Through the scheme, the Group is providing eligible UK businesses with discounted funding, subject to continuation of the scheme and its financial benefits, and based on the Group's existing lending criteria. Eligible businesses who have taken up the funding benefit from a 1 per cent. discount on their funding rate for a pre-agreed period of time.

#### **Business Growth Fund**

In May 2011 the Group agreed, together with The Royal Bank of Scotland plc (and three other non-related parties), to commit up to £300 million of equity investment by subscribing for shares in the Business Growth Fund plc which is the company created to fulfil the role of the Business Growth Fund as set out in the British Bankers' Association's Business Taskforce Report of October 2010. At 31 December 2014, the Group had invested £118 million (31 December 2013: £64 million) in the Business Growth Fund and carried the investment at a fair value of £105 million (31 December 2013: £52 million).

#### **Big Society Capital**

In January 2012 the Group agreed, together with The Royal Bank of Scotland plc (and two other non-related parties), to commit up to £50 million each of equity investment into the Big Society Capital Fund. The Fund, which was created as part of the Project Merlin arrangements, is a UK social investment fund. The Fund was officially launched on 3 April 2012 and the Group had invested £23 million in the Fund by 31 December 2013 and invested a further £8 million during the year ended 31 December 2014.

### **Funding for Lending**

In August 2012, the Group announced its support for the UK Government's Funding for Lending Scheme and confirmed its intention to participate in the scheme. The Funding for Lending Scheme represents a further source of cost effective secured term funding available to the Group. The initiative supported a broad range of UK based customers, providing householders with more affordable housing finance and businesses with cheaper finance to invest and grow. In November 2013, the Group entered into extension letters with the Bank of England to take part in the extension of the Funding for Lending Scheme until the end of January 2015. The extension of the Funding for Lending Scheme focuses on providing businesses with cheaper finance to invest and grow. £10 billion has been drawn down under this extension. In December 2014, the Bank of England announced a further extension to the end of January 2016 with an increased focus on supporting small businesses. At 31 December 2014, the Group had drawn down £20 billion under the Funding for Lending Scheme.

### **Enterprise Finance Guarantee**

The Group participates in the Enterprise Finance Guarantee Scheme which was launched in January 2009 as a replacement for the Small Firms Loan Guarantee Scheme. The scheme is a UK Government-backed loan guarantee, which supports viable businesses with access to lending where they would otherwise be refused a loan due to a lack of lending security. The Department for Business, Innovation and Skills (formerly the Department for Business, Enterprise and Regulatory Reform) provides the lender with a guarantee of up to 75 per cent. of the capital of each loan subject to the eligibility of the customer within the rules of the scheme. As at 31 December 2014, the Group had offered 6,250 loans to customers, worth over £500 million. The Group entities, Lloyds Bank plc, TSB Bank plc, Lloyds Commercial Finance Limited and Bank of Scotland plc contracted with The Secretary of State for Business, Innovation and Skills.

### **Help to Buy**

On 7 October 2013, Bank of Scotland plc entered into an agreement with The Commissioners of Her Majesty's Treasury by which it agreed that the Halifax Division of Bank of Scotland plc would participate in the Help to Buy Scheme with effect from 11 October 2013 and that Lloyds Bank plc would participate from 3 January 2014. The Help to Buy Scheme is a scheme promoted by the UK Government and is aimed to encourage participating lenders to make mortgage loans available to customers who require higher loan-to-value mortgages. Halifax and Lloyds are currently participating in the scheme whereby customers borrow between 90 per cent. and 95 per cent. of the purchase price.

In return for the payment of a commercial fee, HM Treasury has agreed to provide a guarantee to the lender to cover a proportion of any loss made by the lender arising from a higher loan-to-value loan being made. £1,950 million of outstanding loans at 31 December 2014 had been advanced under this scheme.

### **HM Treasury expenses**

During the year ended 31 December 2014, the Group paid for expenses amounting to £1 million incurred by or on behalf of HM Treasury in connection with the sale or proposed sale of shares by HM Treasury in the Company. The expenses were incurred in accordance with the Resale Rights Agreement and the Registration Rights Agreement entered into with HM Treasury in 2009. The performance by the Company of the Resale Rights Agreement and the Registration Rights Agreement was approved by shareholders of the Company at the 2014 Annual General Meeting.

### **Central bank facilities**

In the ordinary course of business, the Group may from time to time access market-wide facilities provided by central banks.

### **Other Government-related entities**

There were no significant transactions with other UK Government-controlled entities (including UK Government-controlled banks) during the year that were not made in the ordinary course of business or that were unusual in their nature or conditions.

### **Government asset protection scheme (GAPS) Withdrawal Deed**

In November 2009, following its withdrawal from its proposed participation in GAPS, the Company entered into the GAPS Withdrawal Deed with HM Treasury pursuant to which, among other matters, the Company paid HM Treasury £2,500 million in recognition of the benefits to the Group's trading operations arising as a result of HM Treasury proposing to make GAPS available to the Group and, in addition, reimbursed HM Treasury various costs.

The GAPS Withdrawal Deed contained certain undertakings given by the Group to HM Treasury in connection with the state aid approval obtained from the European Commission (on which see the sub-section entitled "State aid" below) and its withdrawal from its proposed participation in GAPS.

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

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

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

- (i) acknowledged its commitment to the principle that it should be at the leading edge of implementing the G20 principles, the FSA Code on remuneration and any remuneration provisions accepted by the Government from the Walker Review, provided that this principle shall always be applied in such a way as to allow the Company to operate on a level playing field with its competitors;
- (ii) reaffirmed its lending commitments;
- (iii) agreed to implement a (now published) customer charter for lending to businesses;
- (iv) committed:
  - (a) to ensure that its public financial statements comply with best industry practice; and
  - (b) to enter into discussions with HM Treasury with a view to ensuring that such public financial statements: (A) enable investors to assess the quality of the assets and liabilities of banking institutions, the financial position and performance of banking institutions and the nature and extent of risks arising from financial instruments to which banking institutions are exposed; and (B) are comparable as between similar banking institutions;

- (v) agreed to develop with the FSA, and implement, a medium term funding plan aimed at reducing dependence on short term funding to be regularly reviewed by the FSA (now the FCA), the Bank of England (now including the PRA) and HM Treasury; and
- (vi) agreed to implement any measures relating to personal current accounts agreed between the OFT and the UK banking industry: (i) as detailed in the OFT's report "Personal current accounts in the UK – a follow up report, October 2009" and (ii) relating to fees and charges, and the terms and conditions of personal current accounts where any such measures are within the scope of current negotiations with respect thereto.

On 13 May 2014, HM Treasury and the Group agreed an amendment to the GAPS withdrawal deed in light of the new state aid approval decision of the European Commission (on which see the sub-section entitled "State aid" below).

## State aid

As part of the European Commission's decision approving state aid to the Group, the Group was required to submit a Restructuring Plan to the European Commission in the context of a state aid review. The plan was required to support the long-term viability of the Group, and remedy any distortion of competition and trade in the European Union arising from the state aid received by the Group. The College of Commissioners announced its formal approval of the state aid on 18 November 2009 and concluded that the Restructuring Plan was appropriate to achieve the aforementioned aims.

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

The Group continues to work closely with the European Commission, HM Treasury and the Monitoring Trustee appointed by the European Commission to ensure the implementation of the Restructuring Plan. In line with strengthening of the balance sheet, the Group has made excellent progress against its asset reduction commitment and reached the reduction total required in December 2012, two years ahead of the mandated completion date. The Group has now received formal confirmation from the European Commission that it is released from this commitment.

In June 2011 the Group issued an Information Memorandum to potential bidders for the Group's retail banking business in Project Verde, which the European Commission confirmed met the requirements to commence the formal sale process no later than 30 November 2011. In December 2011 the Group announced that, having reviewed the formal offers made, its preferred option was for a direct sale and that it was entering exclusive discussions with The Co-operative Group (the "**Co-operative**"). On 19 July 2012 the Group announced that it had agreed non-binding heads of terms with the Co-operative for the Project Verde business disposal. The Group worked with the Co-operative to agree a sale and purchase agreement, with completion of the divestment expected by the end of November 2013, but in April 2013 the Board of the Co-operative announced that it had decided that it would no longer proceed with a purchase of the Project Verde business. The Group announced that it intended instead to divest the Project Verde business through an IPO, subject to European Commission and regulatory approval, having maintained plans for this fall back option throughout the direct sale process, should the proposed divestment to the Co-operative not complete.

On 13 May 2014, the College of Commissioners announced its formal agreement to change the perimeter of the divested entity as compared to the original Restructuring Plan and make other enhancements (consistent with the Group's conditional agreement with HM Treasury in September 2013). This enabled the IPO of the Project Verde business in June 2014, with the support of HM Treasury. The IPO enabled the Group to sell a 35 per cent. interest in June 2014, then a further 3.5 per cent. interest in July 2014 as a result of the exercise of the over allotment option, and is a significant step in the Group's completion of its state aid commitments. The size of the IPO was increased from the originally contemplated 25 per cent. of TSB Banking Group plc's ordinary share capital due to demand from both institutional and retail investors. On 26 September 2014, the Group announced that it had sold a further 57.5 million ordinary shares in TSB Banking Group plc, representing approximately 11.5 per cent. of TSB Banking Group plc's ordinary share capital, reducing the Group's holding in TSB Banking Group plc to approximately 50 per cent. of TSB Banking Group plc's ordinary share capital. The deadline for full divestment of all shares in TSB Banking Group plc is 31 December 2015 (with this date extendable to June 2016 or December 2016 in certain circumstances). For detail on recent developments in relation to the Group's sell down of TSB see "*Lloyds Banking Group and Lloyds Bank – Recent Developments*".

#### *Other relationships with the UK Government*

The Group, in common with other financial institutions, is also working closely with a number of Government departments and agencies on various industry-wide initiatives that are intended to support the Government's objective of economic recovery and greater stability in the wider financial system.

For more detail on industry-wide initiatives see "*Business Growth Fund*" and "*Big Society Capital*" above.

#### *Other related party transactions*

On 25 June 2014 Lloyds Bank entered into an agreement for the exclusive provision of conveyancing panel services with ULS, which is a related party of the Company by virtue of ULS Technology plc, ULS's parent, being an investee company of Lloyds Development Capital, the UK regional private equity provider which is part of the Group. This agreement, which followed a similar agreement entered into between the same parties in 2011, entails £nil cost to Lloyds Bank, as the conveyancing fees are payable by customers, but it contains a fee sharing arrangement (47 per cent. ULS/53 per cent. Lloyds Bank), pursuant to which Lloyds Bank received income of £4.1 million in the year to 31 December 2014 (31 December 2013: £3.4 million; and 31 December 2012: £2.0 million). The Company is required to disclose this as a contract which is material to the related party.

### **Directors of the Bank and the Company**

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

| <b>Name</b>  | <b>Principal outside activities</b>   |
|--|---|
| <b>Lord Blackwell</b><br>Chairman                    | Chairman of Interserve plc.   |
| <b>Executive directors</b>                           |   |
| <b>António Horta-Osório</b><br>Group Chief Executive | A non-executive director of Fundação Champalimaud and Sociedade Francisco Manuel dos Santos in Portugal, a member of the Board of Stichting INPAR, a Governor of the London Business School and Chairman of the Wallace |

| Name   | Principal outside activities   |
|--|--|
| <b>Juan Colombás</b><br>Chief Risk Officer                 | Collection.<br>Member of the International Financial Risk Institute Executive Committee.   |
| <b>George Culmer</b><br>Chief Financial Officer            | None   |
| <b>Non-executive directors</b>                             |  |
| <b>Alan Dickinson</b>                                      | Non-executive Director of Willis Limited and Chairman of its Risk Committee. Chairman of Brown Shipley & Co Limited, Senior Independent Director of Urban & Civic plc and a Governor of Motability.  |
| <b>Carolyn Fairbairn</b>                                   | Non-executive director of Capita plc and the Vitec Group plc and is the Chairman of both their Remuneration Committees. A trustee of Marie Curie Cancer Care and a non-executive director of the Competition and Markets Authority and of the UK Statistics Authority.   |
| <b>Anita Frew</b><br>(Deputy Chairman)                     | Senior Independent Director of IMI plc and Non-Executive Director and Chairman Designate of Croda International Plc.   |
| <b>Simon Henry</b>   | Chief Financial Officer and Executive Director of Royal Dutch Shell plc. Member of Main Committee of the 100 Group of UK FTSE CFOs and Chair of European Round Table CFO Taskforce. Also a member of the Advisory Panel of CIMA, the Multi Practitioner Panel Steering Committee – UK Fair and Effective Markets Review and of the Advisory Board of the Centre for European Reform. |
| <b>Dyfrig John CBE</b>                                     | Member of the Welsh Rugby Union’s Audit Committee.   |
| <b>Nicholas Luff</b>                                       | Executive Director and Chief Financial Officer of Reed Elsevier.   |
| <b>Nick Prettejohn</b>                                     | Member of the BBC Trust, Chairman of the Britten-Pears Foundation and Chairman of the Royal Northern College of Music.   |
| <b>Anthony Watson CBE</b><br>(Senior Independent Director) | Senior Independent Director of Hammerson and Witan Investment Trust. Chairman of Lincoln’s Inn investment committee and member of the Norges Bank Investment Management Corporate Governance Advisory Board.   |
| <b>Sara Weller</b>   | Non-executive director of United Utilities Group plc and chairperson of its Remuneration Committee and a Governing Council Member of Cambridge University. Also Chairman of the Planning Inspectorate, Lead Non-Executive Director at the Department of Communities and Local Government and Board member at the Higher Education Funding Council.                                   |

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

### **Recent Developments**

On 20 March 2015 the Group announced that it had agreed to sell a 9.99 per cent. interest in TSB to Sabadell, S.A. (“**Sabadell**”), and the Group entered into an irrevocable undertaking to accept the terms of the recommended cash offer for TSB by Sabadell pursuant to which Sabadell will acquire the entire issued and to be issued share capital of TSB (the “**Offer**”) in respect of its entire remaining 40.01 per cent. shareholding in TSB.

The Offer is conditional upon, amongst other things, the PRA consenting to the acquisition by Sabadell of control of TSB and upon anti-trust clearance from the European Commission.

## **TAXATION**

### **1 General**

The comments below are of a general nature and are not intended to be exhaustive. They assume that there will be no substitution of the Issuers and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the terms and conditions of the Notes). Any Noteholders who are in doubt as to their own tax position should consult their professional advisers.

### **2 United Kingdom Taxation**

The comments below are based on current United Kingdom tax law as applied in England and Wales and H.M. Revenue & Customs practice (which may not be binding on H.M. Revenue & Customs). They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are the absolute beneficial owners of their Notes and Coupons and may not apply to certain classes of persons (such as dealers) to whom special rules may apply. Any Noteholders who are in doubt as to their tax position or may be subject to tax in a jurisdiction other than the United Kingdom should consult their professional advisers.

#### **2.1 Taxation of Interest**

While the Notes are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007 (the “**Act**”), payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax. The London Stock Exchange is a recognised stock exchange for the purposes of section 1005 of the Act. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part VI of the Financial Services and Markets Act 2000) by the United Kingdom Listing Authority and admitted to trading on the London Stock Exchange.

Payments of interest by the Bank on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax, provided that it continues to be a bank within the meaning of section 991 of the Act, and provided that the interest on the Notes is paid in the ordinary course of its business within the meaning of section 878 of the Act.

Interest on the Notes may also be paid without withholding or deduction for or on account of United Kingdom tax where at the time interest on the Notes is paid, the relevant Issuer reasonably believes either:

- (a) that the beneficial owner is a United Kingdom resident company or is a non-United Kingdom resident company which is within the charge to United Kingdom corporation tax as regards the payment of interest; or
- (b) that the payment is made to one of the bodies or persons, and in accordance with any applicable conditions, set out in sections 935 to 937 of the Act,

provided that H.M. Revenue & Customs has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.



Interest on Notes with a maturity date of less than one year and which are not issued with the intention, or under a scheme or arrangement the effect of which is, that such Notes form part of a borrowing intended to be capable of remaining outstanding for a year or more may be paid without withholding or deduction on account of United Kingdom tax.

In all other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any direction to the contrary by H.M. Revenue & Customs under an applicable double taxation treaty.

Interest with a United Kingdom source may be chargeable to United Kingdom tax by direct assessment. Where the interest is paid without withholding or deduction for or on account of United Kingdom tax, the interest will not be assessed to United Kingdom tax in the hands of holders of the Notes (other than certain trustees) who are not resident for tax purposes in the United Kingdom, except where such persons carry on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Notes are attributable or (in the case of companies) such persons carry on a trade in the United Kingdom through a permanent establishment in the United Kingdom in connection with which the interest is received or to which the Notes are attributable, in which case United Kingdom tax may be levied on the United Kingdom branch, agency or permanent establishment. There are exemptions for interest received by certain categories of agent.

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom for tax purposes may be able to recover all or part of the tax deducted under an applicable double taxation treaty.

Noteholders should recognise that the provisions relating to additional amounts referred to in “Terms and Conditions of the Notes — Taxation” would not apply if H.M. Revenue & Customs sought to assess directly the person entitled to the relevant interest to United Kingdom tax. However, exemption from, or reduction of, such United Kingdom tax liability might be available under an applicable double taxation treaty.

## **2.2 Information Reporting**

Information relating to securities and accounts may be required to be provided to HM Revenue & Customs in certain circumstances. This may include the value of the Notes, amounts paid or credited with respect to the Notes, details of the holder or beneficial owners of the Notes (or the persons for whom the Notes are held), details of the persons who exercise control over entities that are, or are treated as, holders of the Bonds, details of the persons to whom payments derived from the Notes are or may be paid and information and documents in connection with transactions relating to the Notes. Information may be required to be provided by, amongst others, the Issuer, the holders of the Notes, persons by (or via) whom payments derived from the Notes are made or who receive (or would be entitled to receive) such payments, persons who effect or are a party to transactions relating to the Notes on behalf of others and certain registrars or administrators. In certain circumstances, the information obtained by H.M. Revenue & Customs may be provided to tax authorities in other countries.

## **3 EU Information Reporting and Withholding**

The EU Savings Directive requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established

within its jurisdiction to (or secured by such a person for the benefit of) an individual resident, or to (or secured for) certain other types of entity established, in that other EU Member State, except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period it elects otherwise.

The Council of the European Union has adopted the Amending Savings Directive which would, when implemented, amend and broaden the scope of the requirements of the EU Savings Directive described above, including by expanding the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities, and by expanding the circumstances in which payments must be reported or paid subject to withholding. The Amending Savings Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

The Council of the European Union has also adopted a Directive (the “**Amending Cooperation Directive**”) amending Council Directive 2011/16/EU on administrative cooperation in the field of taxation so as to introduce an extended automatic exchange of information regime in accordance with the Global Standard released by the OECD Council in July 2014. The Amending Cooperation Directive requires EU Member States to adopt national legislation necessary to comply with it by 31 December 2015, which legislation must apply from 1 January 2016 (1 January 2017 in the case of Austria). The Amending Cooperation Directive is generally broader in scope than the EU Savings Directive (although no withholding on payments is required pursuant to the EU Savings Directive) and provides that to the extent there is overlap of scope, the Amending Cooperation Directive prevails. The European Commission has therefore published a proposal for a Council Directive repealing the EU Savings Directive from 1 January 2016 and 1 January 2017 in the case of Austria (in each case subject to transitional arrangements). The proposal also provides that, if it is adopted, Member States will not be required to implement the Amending Savings Directive. Information reporting and exchange will however still be required under Council Directive 2011/16/EU (as amended).

Investors who are in any doubt as to their position or would like to know more should consult their professional advisers.

#### **4 The Proposed Financial Transaction Tax (“FTT”)**

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”).

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## 5 Austria Taxation

The below is a summary of current Austrian tax law and what is understood to be the current tax practice as at the date of this Prospectus, both of which are subject to change, possibly with retroactive effect. Unless explicitly stated otherwise, the following only addresses withholding tax issues, as far as immediately relevant for Austrian custodians regarding Austrian tax residents holding the Notes as private assets. Individuals having a domicile or their habitual abode in Austria or corporations having their corporate seat or their place of management in Austria are considered as residents for Austrian income and corporate income tax law purposes respectively. The following outline of tax law principles may and shall not substitute the individual advice of any investor.

If an Austrian custodian (*inländische depotführende Stelle*, also referred to as ‘securities account keeping agent’) or an Austrian paying agent (*auszahlende Stelle*) is involved in paying investment income (interest or capital gains), 25% withholding taxation is imposed. An Austrian custodian or paying agent (in the following “custodian agent”) is either an Austrian bank or Austrian branch of a non-Austrian bank or investment service provider domiciled in the EU. The 25% withholding tax generally results in a final income taxation; certain exceptions apply (in particular for investors whose regular personal income tax rate is lower than 25%). If no withholding tax is imposed (e.g., because the Notes are held through a foreign paying agent), the investment income arising from the Notes generally has to be included into the income tax return in accordance with the law, but nevertheless subject to the 25% flat rate. In all cases expenses and costs (*Aufwendungen und Ausgaben*) that are directly connected with investment income are not tax effective.

Realized capital gains are the difference between (a) the amount realized (e.g., the sale proceeds, the redemption or other pay-off amount, or the fair market value in case of a deemed realization) and (b) the acquisition costs; in both cases (amount realized and acquisition costs) including accrued interest, if any. For Notes held as non-business assets, the acquisition costs do not include ancillary acquisition cost (*Anschaffungsnebenkosten*), e.g., an issue surcharge.

Capital gains are not only subject to withholding tax upon an actual disposition or redemption of the Notes, but also upon a deemed realization, particularly upon withdrawals (*Entnahmen*) of the Notes from the securities account or other transfers of Notes from one securities account to another one. Exemptions are in place upon the transfer to another deposit account, if a certain information procedure is fulfilled. In case of a loss of the Austrian taxing right for the Notes (e.g. due to change of the fiscal residence of the investor) no withholding tax applies as long as the Notes remain on the deposit of the Austrian custodian agent. If the investor notifies the Austrian custodian agent of his or her migration, only the value increase until change of residence will be taken into account by the Austrian custodian agent upon later disposition (certain exceptions apply with regard to EEA member countries).

Losses from Notes held as non-business assets are taken into account by the Austrian custodian agent according to mandatory loss-offsetting rules, to be handled by custodian agents. Losses can only be from other offset investment income (excluding, *inter alia*, interest income from bank deposits and other claims against banks). A carry-forward of losses is not possible in this context.

For Notes held as business assets by individuals, generally the same rules as described in the previous heading apply. The most important differences are the following:

- Realised capital gains, contrary to interest income, have to be included in the tax return, since despite a 25% withholding taxation that is also imposed in the context of Notes held as business assets if an Austrian custodian agent is involved, no final income taxation applies. The discount of Zero Coupon Notes is considered realised capital gains, not interest payments.
- The acquisition costs of Notes held as business assets may also include ancillary costs incurred upon the acquisition.
- No loss-offsetting may be made by an Austrian custodian agent.

It is noted that expenses and costs (*Aufwendungen und Ausgaben*) directly economically connected with investment income are also not tax-deductible in case the Notes are held as business assets.

Income derived from Notes held as business assets by corporate investors (including any capital gains) is subject to corporate income tax at the general corporate income tax rate of 25%. If corporate investors hold Notes through a securities account with an Austrian bank (Austrian custodian agent), the bank as withholding agent will deduct the 25% Austrian withholding tax. Corporate investors deriving business income from the Notes may avoid the application of withholding tax by filing a declaration of exemption (*Befreiungserklärung*) with the Austrian withholding tax agent. If no declaration of exemption is submitted, the retained withholding tax can be charged towards the corporate tax debt or (the exceeding amount) may be refunded.

Non-resident investors are only taxable on the investment income (interest or capital gains) from the Notes if they hold the Notes in the business property of a permanent establishment located in Austria. An Austrian paying agent (Austrian bank or Austrian branch of a non-Austrian bank or investment service provider domiciled in the EU) nevertheless has to retain withholding tax if the Holder has not provided evidence that he is not resident in Austria and does not have a permanent establishment in Austria.

As of 1 January 2015 limited taxation of interest payments would also apply, if the Issuer pays the interest on the Notes through Austria. Since, and as long as the Issuer does not have its registered seat or place of management in Austria and does not pay the interest on the Notes through an Austrian branch, the new taxation does not apply.

Non-resident investors who are resident individuals of an EU Member States and who hold the Notes through an Austrian paying agent have to consider the regime implemented in Austria based on the EU Council Directive 2003/48/EC dated 3 June 2003 on the taxation of savings income in the form of interest payments (the “**EU Savings Tax Directive**”). Based on this regime withholding taxation at a rate of 35% might be imposed, unless an exchange of information procedure is fulfilled. This alternative procedure requires the individual investor to provide the Austrian custodian agent with a certificate issued by the competent tax authority of his Member State of residence disclosing specific personal data, such as the beneficial owner’s name, address and tax or other identification number or, failing such, his date and place of birth and further information.

## **6 Belgium Taxation**

The below is a summary of the principal Belgian withholding tax considerations with respect to the holding of Notes obtained by an investor in Belgium. This information is of a general nature based on the description of the Notes in the Conditions and does not purport to be a comprehensive description of all Belgian tax considerations that may be relevant to a decision to acquire, to hold or to dispose of

the Notes. In some cases, different rules can be applicable taking into account the Final Terms. This overview is based on Belgian tax legislation, treaties, rules, and administrative interpretations and similar documentation, in force as of the date of the publication of this Prospectus, without prejudice to any amendments introduced at a later date, even if implemented with retroactive effect. Unless expressly stated otherwise, this overview does not describe the tax consequences for a holder of Notes that are redeemable in exchange for, or convertible into, shares or other underlying assets, or of the exercise, settlement or redemption of such Notes. The following overview does not describe any other Belgian tax considerations than said Belgian withholding tax considerations.

Each investor should consult a professional adviser with respect to the tax consequences of an investment in the Securities, taking into account the Final Terms and taking into account the influence of each regional, local or national law.

## **6.1 Belgian withholding tax**

### *6.1.1 Tax rules applicable to natural persons resident in Belgium*

Individuals who are Belgian residents for tax purposes, i.e. individuals subject to the Belgian individual income tax (*Personenbelasting/Impôt des personnes physiques*) and who hold the Notes as a private investment, are subject to the following withholding tax treatment in Belgium with respect to the Notes.

Under Belgian tax law, ‘interest’ income includes: (i) periodic interest income, (ii) any amount paid by the Issuer in excess of the issue price (whether or not on a scheduled redemption date), and (iii) only if the Notes qualify as ‘fixed income securities’ (in the meaning of Article 2, §1, 8° Belgian Income Tax Code), in the case of a realisation of the Notes prior to repurchase or redemption by the Issuer, the income equal to the pro rata of accrued interest corresponding to the detention period. Fixed income securities include securities where there is a causal link between the amount of interest income and the detention period of the securities, on the basis of which it is possible to calculate the amount of pro rata interest income at the moment of the sale of the securities during their lifetime. Furthermore, on 25 January 2013, the Belgian tax authorities issued a circular letter on the tax treatment of income from structured products the return of which is linked to an underlying value (share basket, index, etc.). According to the circular letter, such structured products qualify as fixed income securities if their terms and conditions include one or more of the following features: (a) a (conditional) minimum return; (b) capital protection; (c) a periodic coupon payment; or (d) determination of income during the lifetime of the securities using a “ratchet” system.

Payments of interest on the Notes made through a paying agent in Belgium will in principle be subject to a 25 per cent withholding tax in Belgium (calculated on the interest received after deduction of any non-Belgian withholding taxes). The Belgian withholding tax constitutes the final income tax for Belgian resident individuals. This means that they do not have to declare the interest obtained on the Notes in their personal income tax return, provided withholding tax was levied on these interest payments. They may nevertheless elect to declare interest in respect of the Notes in their personal income tax return.

If the interest is paid outside Belgium without the intervention of a Belgian paying agent, the interest received (after deduction of any non-Belgian withholding tax) must be declared in the personal income tax return.

Interest income which is declared in the annual personal income tax return will in principle be taxed at a flat rate of 25 per cent (or at the progressive personal tax rate taking into account the taxpayer's other declared income, whichever is more beneficial). If the interest payment is declared, any withholding tax retained may be credited.

#### 6.1.2 *Belgian resident corporations*

Corporations that are Belgian residents for tax purposes, i.e. corporations subject to Belgian corporate income tax (*Vennootschapsbelasting/Impôt des sociétés*), are subject to the following withholding tax treatment in Belgium with respect to the Notes.

Payments of interest (as defined in the section 'Tax rules applicable to natural persons resident in Belgium') on the Notes made through a paying agent in Belgium will in principle be subject to a 25 per cent withholding tax in Belgium (calculated on the interest received after deduction of any non-Belgian withholding taxes).

However, interest payments on the Notes (except Notes which provide for the capitalisation of interest) made through a paying agent in Belgium can under certain circumstances be exempt from withholding tax, provided a special affidavit is delivered. The Belgian withholding tax that has been levied is creditable and refundable in accordance with the applicable legal provisions.

#### 6.1.3 *Other Belgian legal entities*

Legal entities that are Belgian residents for tax purposes, i.e. that are subject to Belgian tax on legal entities (*Rechtspersonenbelasting/Impôt des personnes morales*), are subject to the following withholding tax treatment in Belgium with respect to the Securities.

Payments of interest (as defined in the section 'Tax rules applicable to natural persons resident in Belgium') on the Notes made through a paying agent in Belgium will in principle be subject to a 25 per cent withholding tax in Belgium and no further tax on legal entities will be due on the interest. However, if the interest is paid outside Belgium, i.e. without the intervention of a Belgian paying agent and without deduction of the Belgian withholding tax, the legal entity itself is liable to declare the interest to the Belgian tax administration and to pay the 25 per cent withholding tax to the Belgian treasury.

#### 6.1.4 *Non-residents of Belgium*

The interest income on the Notes paid to a Belgian non-resident outside of Belgium, i.e. without the intervention of a professional intermediary in Belgium, is not subject to Belgian withholding tax. Interest income on the Notes paid through a Belgian professional intermediary will in principle be subject to a 25 per cent Belgian withholding tax, unless the holder is resident in a country with which Belgium has concluded a double taxation agreement and delivers the requested affidavit.

Non-resident holders that have not allocated the Notes to business activities in Belgium can also obtain an exemption of Belgian withholding tax on interest if the interest is paid through a Belgian credit institution, a Belgian stock market company or a Belgian clearing or settlement institution and provided that the non-resident (i) is the owner or usufruct holder of the Notes, (ii) has not allocated the Notes to business activities in Belgium and (iii) delivers an affidavit confirming his non-resident status and the fulfilment of conditions (i) and (ii).

Non-resident holders using the Notes to exercise a professional activity in Belgium through a permanent establishment are subject to the same tax rules as the Belgian resident corporations (see above).

## **6.2 Implementation of the EU Savings Directive with regard to individuals resident in Belgium**

An individual resident in Belgium will be subject to the provisions of the EU Savings Directive, if he receives interest payments from a paying agent (within the meaning of the EU Savings Directive) established in another EU Member State, Switzerland, Liechtenstein, Andorra, Monaco, San Marino, Curaçao, Bonaire, Saba, Saint-Maarten and Saint-Eustatius (former Netherlands Antilles), Aruba, Guernsey, Jersey, the Isle of Man, Montserrat, the British Virgin Islands, Anguilla, the Cayman Islands or the Turks and Caicos Islands.

If the interest received by an individual resident in Belgium has been subject to source tax pursuant to the withholding system under the EU Savings Directive, such source tax does not liberate the Belgian individual from declaring the interest income in the personal income tax declaration. The source tax will be credited against the personal income tax. If the source tax withheld exceeds the personal income tax due, the excessive amount will be reimbursed, provided it reaches a minimum of EUR 2.5.

## **7 Denmark Taxation**

The below is a summary of the taxation in Denmark of the Notes according to the Danish tax laws in force as of the date of this Prospectus and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Notes, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as professional dealers in securities) may be subject to special rules. Potential investors are under all circumstances strongly recommended to contact their own tax advisor to clarify the individual consequences of their investment, holding and disposal of the Notes. The Issuer makes no representations regarding the tax consequences of purchase, holding or disposal of the Notes.

Under existing Danish tax laws, no general withholding tax or coupon tax will apply to payments of interest or principal or other amounts due on the Notes, other than in certain cases on payments in respect of controlled debt in relation to the Issuer as referred to in the Danish Corporation Tax Act (in Danish "*Selskabsskatteloven*"). This will not have any impact on holders of Notes who are not in a relationship whereby they control, or are controlled by, the Issuer, or where the holders of Notes and the Issuer are not controlled by the same group of shareholders.

## **8 France Taxation**

The below is a summary of the French compulsory withholding tax treatment of income arising from the Notes. This summary is (i) based on the laws and regulations in full force and effect in France as at the date of this Prospectus, which may be subject to change in the future, potentially with retroactive effect, and (ii) prepared under the assumption that the Issuer is not a French resident for French tax purposes and is not acting from a French branch, permanent establishment or other fixed place of business in France in connection with the Notes. Investors should be aware that the comments below are of a general nature and do not constitute legal or tax advice and should not be understood as such. Prospective investors are therefore advised to consult their own qualified advisers so as to determine,

in the light of their individual situation, the tax consequences of the purchase, holding, redemption or sale of the Notes.

### **Withholding tax**

Income paid or accrued on Notes, to the extent such Notes are not issued through a French branch of an Issuer, is not subject to withholding tax in France.

However, pursuant to Article 125 A of the French tax code (*Code général des impôts*), subject to certain exceptions, interest and other similar revenues paid by paying agents established in France or, under certain conditions, in the European Union or in a State which is a member of the European Economic Area and which has entered into a convention providing for administrative assistance with a view to combating tax fraud and avoidance, and received by individuals who are fiscally domiciled in France are subject to a 24 per cent. withholding tax, which is deductible from their personal income tax liability in respect of the year in which the payment has been made. Social contributions (CSG, CRDS and other related contributions) are also levied by way of withholding tax at an aggregate rate of 15.5 per cent. on interest and other similar revenues paid by paying agents established in France to individuals who are fiscally domiciled in France.

In addition, prospective purchasers of Notes who are French resident for tax purposes or who would hold Notes through a permanent establishment or a fixed base in France should be aware that transactions involving the Notes including any purchase or disposal of, or other dealings in the Notes and any transaction involved in the exercise and settlement of the Notes, may have French tax consequences. The tax consequences regarding interest, premium on redemption and capital gains in particular may depend, amongst other things, upon the status of the prospective purchaser (i.e. legal entities or individuals) and on the specific terms and conditions of the relevant Notes. Prospective purchasers of Notes should consult their own advisers about the tax implications of holding Notes and of any transactions involving Notes.

## **9 Germany Taxation**

### **9.1 German tax resident investors**

The following general description includes a - non-comprehensive - general description of certain withholding tax aspects in the Federal Republic of Germany ("**Germany**") that may be relevant to a German tax resident holder of the Notes. The description does not consider any personal income tax, corporate income tax or trade tax aspects that may become relevant to a holder of the Notes in Germany. This general description is based on German tax laws and regulations, all as currently in effect and all subject to change at any time, possibly with retrospective effect. The description does not consider any tax aspects, which are relevant for an acquirer of a Coupon only.

#### *9.1.1 Withholding tax on Notes held as private assets by German tax resident investors*

Provided that the Notes are held by a German tax resident investor as private assets a 25 per cent. withholding tax, plus a 5.5 per cent. solidarity surcharge thereon, resulting in a total withholding tax charge of 26.375 per cent, is generally levied on the interest payments if the Notes are kept or administered in a domestic securities deposit account by a or if the Notes or the Coupons are presented to a German credit institution (*Kreditinstitut*) or financial services institution (*Finanzdienstleistungsinstitut*) (or with a German branch of a foreign credit or financial services institution), or with a German securities trading company (*Wertpapierhandelsunternehmen*) or a German securities



trading bank (*Wertpapierhandelsbank*) (altogether a "**Domestic Paying Agent**") which pays or credits the interest,. The applicable withholding tax rate is in excess of the aforementioned rate if church tax applies and is collected for the individual investor by way of withholding which, in the case of interest received after 31 December 2014, is provided for as a standard procedure unless the holder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*).

Provided that the Notes are held by a German tax resident investor as private assets a 25 per cent. withholding tax, plus a 5.5 per cent. solidarity surcharge thereon, resulting in a total withholding tax charge of 26.375 per cent, is generally also levied on capital gains from the sale or redemption of the Notes, if the Notes are kept or administered by a or presented to a Domestic Paying Agent effecting the sale or redemption from the time of their acquisition. If the Notes were sold or redeemed after being transferred to a securities deposit account with a Domestic Paying Agent, 25 per cent. withholding tax (plus solidarity surcharge thereon) would be levied on 30 per cent. of the proceeds from the sale or the redemption, as the case may be, unless the investor or the previous depository bank was able and allowed to prove evidence for the investor's actual acquisition costs to the current Domestic Paying Agent. The applicable withholding tax rate is in excess of the aforementioned rate if church tax applies and is collected for the individual investor by way of withholding which, in the case of capital gains received after 31 December 2014, is provided for as a standard procedure unless the holder has filed a blocking notice with the German Federal Central Tax Office.

Income from a sale of Coupons will also be subject to withholding tax if the income is paid by a Domestic Paying Agent against presentation of the Coupons.

Individual investors are entitled to a saver's lump sum tax allowance (*Sparer-Pauschbetrag*) for investment income of 801 Euro per year (1,602 Euro for jointly assessed investors). The saver's lump sum tax allowance is also taken into account for purposes of withholding tax if the investor has filed a withholding tax exemption request (*Freistellungsauftrag*) with the respective Domestic Paying Agent.

Any tax withheld shall generally satisfy the individual investor's income tax liability with respect to the Notes. If, however, no or not sufficient tax was withheld (e.g., in case there is no Domestic Paying Agent) the investor will have to include the income received with respect to the Notes in its annual income tax return.

#### 9.1.2 *German resident investors holding the Notes as business assets*

Provided that the Notes are held by a German tax resident corporate investor or individual investor, which holds the Notes as business assets, a 25 per cent. withholding tax, plus a 5.5 per cent. solidarity surcharge thereon, resulting in a total withholding tax charge of 26.375 per cent, is generally levied on the interest payments if the Notes are kept or administered by or if the Notes or the Coupons are presented to a Domestic Paying Agent which pays or credits the interest.<sup>2</sup> The applicable withholding tax rate is in excess of the aforementioned rate if church tax applies and is collected for the individual investor by way of withholding which, in the case of interest received after 31 December 2014, is provided for as a standard procedure unless the holder has filed a blocking notice with the German Federal Central Tax Office.

No withholding is generally required on capital gains from the disposal or redemption of the Notes or income from a sale of Coupons which is derived by German resident corporate investors and, upon application, by individual investors holding the Notes or Coupons as assets of a German business, subject to certain requirements.

Any capital losses incurred from the disposal or redemption of the Notes will not be taken into account for withholding tax purposes. The withholding tax does not satisfy the investor's personal or corporate income tax liability with respect to the Notes. The income from the Notes will have to be included in the investor's personal or corporate income tax return.

Any German withholding tax (including surcharges) is generally fully creditable against the investor's personal or corporate income tax liability or refundable, as the case may be.

## **10 Gibraltar Taxation**

The below is a summary of the main issues of Gibraltar tax law surrounding Gibraltar withholding tax. Tax can be a complex area and many factors can affect the outcome of an investment from a tax perspective. If any doubt arises as to the tax position of any person they should take professional tax advice from a suitably qualified tax advisor. None of the information contained herein is relevant to Gibraltar residents who should consult with their local tax advisor before making an investment.

Gibraltar does not impose withholding taxes on interest payments save as required as part of the EU Savings Directive or the regulations which have been implemented to mirror the action of the EU Savings Directive between the UK and Gibraltar (the “**UK Regulations**”). The UK Regulations were implemented to resolve the anomaly of Gibraltar and the UK not being considered “separate member states” for the purposes of the EU Savings Directive, the current implementation of the UK Regulations differs from that of the EU Savings Directive in that they continue to allow for the election to tax at a rate of 35% as opposed to the automatic exchange of information.

## **11 Ireland Taxation**

The below is a summary of the laws and practices currently in force in Ireland of Irish withholding tax on interest and addresses the tax position of investors who are the absolute beneficial owners of the Notes. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, including dealers in Notes and trusts. The summary does not constitute tax or legal advice and the comments below are of a general nature only and it does not discuss all aspects of Irish taxation that may be relevant to any particular holder of Notes. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of payments thereon under the laws of their country of residence, citizenship or domicile.

### **11.1 Withholding Tax**

Tax at the standard rate of income tax (currently 20 per cent.) is required to be withheld from payments of Irish source interest. The Issuer will not be obliged to withhold Irish income tax from payments of interest on the Notes so long as such payments do not constitute Irish source income. Interest paid on the Notes may be treated as having an Irish source if:

- (a) the Issuer is resident in Ireland for tax purposes; or
- (b) the Issuer has a branch or permanent establishment in Ireland, the assets or income of which is used to fund the payments on the Notes; or

- (c) the Issuer is not resident in Ireland for tax purposes but the register for the Notes is maintained in Ireland or (if the Notes are in bearer form) the Notes are physically held in Ireland.

It is anticipated that, (i) the Issuer is not and will not be resident in Ireland for tax purposes; (ii) the Issuer will not have a branch or permanent establishment in Ireland; (iii) payments under the Notes will not be derived from Irish sources or assets; (iv) Bearer Notes will not be physically located in Ireland and the Issuer will not maintain a register of any Registered Notes in Ireland.

## **11.2 Encashment Tax**

Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from interest on any interest, dividend or other annual payment paid on the Notes issued by a company not resident in Ireland, where such payment is collected or realised by a bank or encashment agent in Ireland on behalf of any holder of the Notes who is Irish resident.

Encashment tax does not apply where the holder of the Notes is not resident in Ireland and has made a declaration in the prescribed form to the encashment agent or bank.

## **12 Italy Taxation**

The below is a summary of Italian laws and/or practice in force as at the date of this Prospectus and are subject to any changes in law and/or practice occurring after such date, which changes could be made on a retroactive basis. This summary will not be updated to reflect changes in law and/or practice and, if any such change occurs, the information in this summary could be superseded. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

In particular, this summary does not address possible application of Italian anti-tax avoidance rules or general anti-abuse principles possibly associated with the investment in the Notes.

With regard to certain innovative or structured financial instruments there is currently neither case law nor comments of the Italian tax authorities as to the tax treatment of such financial instruments. Accordingly, it cannot be excluded that the Italian tax authorities and courts or Italian intermediaries may adopt a view different from that outlined below.

The comments below are of a general nature and are not intended to be exhaustive. They assume that there will be no substitution of the Issuer and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the terms and conditions of the Notes).

This overview assumes that the Issuer is not a tax resident nor deemed to be a tax resident of Italy and that it has no permanent establishment within the Italian territory.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

### **12.1 Interest Income**

#### *12.1.1 Tax treatment of the Notes qualifying as bonds or securities similar to bonds*

Legislative Decree of 1 April 1996, no. 239 as subsequently amended (“**Decree 239**”), provides for the tax treatment applicable to interest, premium and other income (including the

difference between the redemption amount and the issue price; such interest, premium and other income collectively referred to as the “**Notes Income**”) arising from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*), issued by, *inter alia*, banks residing outside of Italy, such as the Notes. For this purpose, securities similar to bonds are debt instruments implying a “use of capital” issued in mass that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and that do not allow a direct or indirect participation in the management of the issuer.

#### 12.1.2 Italian resident Noteholders

Pursuant to Decree 239, a withholding tax, referred to as “*imposta sostitutiva*”, currently levied at a rate of 26 per cent. applies on Notes Income cashed or deemed to be cashed upon disposal for a consideration of the Notes by (i) an Italian individual (unless the individual has opted to entrust the management of his financial assets, including the Notes, with an Italian authorised financial intermediary and has opted for the *risparmio gestito* regime), (ii) an Italian non-commercial partnership, (iii) an Italian non-commercial private or public institution, or (iv) an Italian investor exempt from Italian corporate income tax.

In case the Noteholders falling under (i) to (iii), above are engaged in an entrepreneurial activity to which the Notes are connected, the Notes Income is currently included in their overall year-end taxable income on an accrual basis according to the ordinary rules and rates. As a consequence, the interest will be subject to the ordinary income tax and the *imposta sostitutiva* may be recovered as a deduction from the income tax due.

Where an Italian resident Noteholder is a company or similar commercial entity (or a permanent establishment in Italy of a foreign enterprise, to which the Notes are effectively connected) and the Notes are deposited with an Intermediary (as defined below), the Notes income would not be subject to the *imposta sostitutiva*, but currently included in the Noteholder’s overall year-end income as accrued and is therefore subject to corporate income tax (*imposta sul reddito delle società* - IRES). In addition, in certain circumstances, depending on the “status” of the Noteholder (i.e., generally, in the case of banks or financial institutions), the Notes Income is subject to a regional income tax (*imposta regionale sulle attività produttive* - IRAP).

If the Noteholder is an Italian pension fund subject to the regime provided under Legislative Decree of 5 December 2005 no. 252 and the Notes are deposited with an Intermediary (as defined below), the Notes Income would not be subject to the *imposta Sostitutiva*, but included in the annual net accrued results of such pension fund, which are subject to a substitute tax at the rate of 20 per cent.. A 9 per cent. tax credit may be granted to pension funds in certain circumstances; further details in this respect will be provided by a decree of the Italian Ministry of Economy still to be issued.

Where the Noteholder is an Italian real estate investment fund (“**Italian Real Estate Fund**”) or an Italian real estate *società di investimento a capital fisso* (“Real Estate SICAF”) and the Notes are deposited with an Intermediary, payments of Notes Income is subject neither to substitute tax nor to any other income tax in the hands of the real estate investment fund. A withholding tax may apply in certain circumstances at the rate of 26 per cent. on distributions made by Italian Real Estate Funds or SICAF and, in certain cases, a tax transparency regime may apply in respect of certain categories of investors in the Italian Real Estate Fund or SICAF owning more than 5 per cent of the fund’s units.

Where a Noteholder is an Italian open-ended or a closed-ended investment fund or a *società d'investimento a capitale variabile* (SICAV) or a *società di investimento a capitale fisso* (SICAF) that does not invest in real estates established in Italy and either (i) the fund, SICAV or SICAF or (ii) their manager is subject to the supervision of a regulatory authority (the “**Fund**”) and the Notes are deposited with an Intermediary, Interest Income is subject neither to substitute tax nor to any other income tax in the hands of the Fund or SICAF. A withholding tax may apply in certain circumstances at the rate of 26 per cent. on distributions made in favour of unitholders or shareholders (the “**Collective Investment Fund Tax**”). For an interim period, in certain circumstances, the Collective Investment Fund Tax is applicable at a rate of 20 per cent. for income accrued as of 30 June 2014.

The *imposta sostitutiva* is withheld by banks, qualified financial intermediaries (*SIMs*), fiduciary companies, asset management companies (*SGRs*), stockbrokers or the other entities identified with a decree of the Ministry of Finance (each an “**Intermediary**”). An Intermediary must (i) be resident in Italy, or be the Italian permanent establishment of a non-Italian resident financial intermediary, and (ii) intervene, in any way, in the collection of interest accrued on, or in the transfer of, the Notes. For the purpose of the application of Decree 239, a transfer of the Notes includes any assignment or transfer, made either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

## 12.2 Atypical securities

The Notes Income relating to Notes implying a use of capital that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli simili alle obbligazioni*) are treated as atypical securities for Italian tax purposes and would be subject to a final withholding tax, levied at the rate of 26 per cent pursuant to Art. 5 and 8, Law Decree of 30 September 1983, no. 512.

In this event, payments relating to Notes may be subject to withholding tax, levied at the rate of 26 per cent, if made to the following Italian resident Noteholders: (i) individuals (ii) non-commercial partnerships; (iii) investment funds (iv) variable or fixed capital investment companies (v) pension funds and (vi) entities exempt from Italian corporate income tax. The 26 per cent. withholding tax would be levied on a provisional basis in the case of individuals engaged in an entrepreneurial activity to which the securities are connected and credited against the ordinary personal income tax due on the income relating to such securities. Such withholding tax would not apply with respect to payments made to a non-Italian resident Noteholder that does not have a permanent establishment in Italy through which the Notes are held, and to an Italian resident Noteholder, which is (i) a company or similar commercial entity (including the Italian permanent establishment of foreign entities), (ii) a commercial partnership, or (iii) a commercial private or public institution. Interest payments made to taxpayers falling under (i) to (iii), above, are currently included in their overall year-end taxable income and subject to their ordinary tax regime.

## 13 Luxembourg Taxation

The below is a summary of certain tax consequences in relation to the purchase, ownership and disposal of the Notes under Luxembourg law. Persons who are in any doubt as to their tax position should consult a professional tax adviser.

In accordance with the law of 25 November 2014, Luxembourg elected out of the withholding tax system in favour of an automatic exchange of information under the Council Directive 2003/48/EC on the taxation of savings income as from 1 January 2015. Payments of interest or repayments of principal by Luxembourg paying agents to non resident individual Noteholders or certain so-called residual entities are thus no longer subject to any Luxembourg withholding tax.

In accordance with the law of 23 December 2005, as amended, interest payments made by Luxembourg paying agents to Luxembourg individual residents are subject to a 10 per cent. withholding tax. Responsibility for withholding such tax will be assumed by the Luxembourg paying agent.

## **14 Malta Taxation**

The below is a summary and does not purport to be a comprehensive description of all Maltese tax considerations that could be relevant for the Noteholders and which may be relevant to a decision to purchase, own or dispose of the Notes. This commentary is general in nature and is based on Maltese tax legislation and published case law in force as at the date of the Prospectus. It does not take into account any developments or amendments thereof after that date, whether or not such developments or amendments have retroactive effect. Noteholders or prospective Noteholders who may be in doubt as to their own tax position should consult their professional advisers.

### **14.1 Interest**

Malta is entitled to tax interest income even in terms of the double taxation treaty between Malta and the United Kingdom (the “**Malta–UK DTA**”).

#### *14.1.1 Provisions under Maltese domestic law*

The Maltese income tax treatment of any interest income derived from Notes is dependent on whether such income falls within the definition of ‘investment income’ under the Income Tax Act’s (Cap. 123 of the laws of Malta) (the “**ITA**”) investment income provisions. The ITA exhaustively lists the categories of investment income which qualify as investment income for Maltese tax purposes.

‘Investment income’ as defined under the ITA, includes, ‘interest, discounts or premiums payable in respect of a public issues by a company, entity or other legal person, howsoever constituted and whether resident in Malta or otherwise.’ Investment income paid to a recipient (as defined) may be subject to a 15 per cent final withholding tax, unless the recipient elects to be paid the investment income without deduction of the final withholding tax.

In order for the said withholding tax to be applicable, the investment income must be received by a ‘recipient’, as defined under the ITA and must be paid by a ‘payor’, as defined under the ITA. For the purposes of the investment income provisions a particular meaning is given to the terms. ‘Recipient’ is a person who is resident in Malta during the year in which investment income is payable to him (the definition specifically excludes banks and insurance companies as well as other companies which may be owned and controlled, directly or indirectly, by such banks and insurance companies) or a receiver, guardian, tutor, curator, judicial sequestrator or committee acting on behalf of such person or a trustee or foundation pursuant to or by virtue of which any money or other property whatsoever is paid or applied for the benefit of such person.

Collective investment schemes registered in Malta are excluded from the remit of this definition with the exception of those schemes holding a classification as ‘prescribed funds’ in terms of Maltese law and receiving investment income not paid by another collective investment scheme. In such a case, special rules apply and recipients should seek advice accordingly.

‘Payor’ is defined as the person who is liable to or makes the payment of the investment income.

In terms of current Maltese tax practice; the payment of the 15 per cent final withholding tax has to be effected through an authorised financial intermediary licensed in Malta that must collect and forward such withholding tax to the Maltese Inland Revenue. When tax is withheld, the payor is obliged to provide the Commissioner of Revenue with an account of all amounts deducted without specifying the identity of the recipient and must forward the amounts withheld within fourteen days from the end of the month in which the payment was made to the recipient.

Where the withholding tax has been applied (i.e. the recipient has not opted to be paid gross) the tax is a final tax and the recipient need not declare the investment income in their income tax return, and will not be subject to further tax on such income. The tax withheld will not be available for credit against that person’s tax liability or for a refund, as the case may be.

Unless an election to be paid interest income without deduction of withholding tax is made, interest will be paid by the payor net of the 15% final withholding tax. An election is to be made in writing by the holder of the Note to the payor. Any such election may be changed by the recipient by giving written notice to the payor, which will be effective as from fourteen days following the receipt by the payor or its agent of such written notice of election.

A recipient being a prescribed fund may not elect to receive the interest due without deduction of the withholding tax. In such cases, the investment income will be paid to the recipient net of a deduction of 10% final withholding tax.

Where a recipient benefits from the 15% rate and the recipient suffers foreign tax (whether directly or by way of withholding) no relief for double taxation would be available, furthermore, the 15% final withholding tax will be determined on the gross income (i.e. prior to deducting the foreign tax).

#### *14.1.2 Non-residents*

Assuming that (i) the noteholder would not be a resident and not domiciled in Malta for tax purposes; and (ii) the noteholder would not be an EU individual who derives at least 90% of his/her worldwide income from Malta; and (iii) the interest income would not represent income arising in Malta and any interest income would not be received in Malta, and (iv) the Notes would not form part of the business property of the noteholder’s Maltese permanent establishment, no Maltese, income tax liability, whether by way of withholding or otherwise, should arise on the payment of interest to the noteholder pursuant to Maltese tax law.

## **15 The Netherlands Taxation**

The below is a summary of a certain Dutch taxation matter based on the laws and practice in force as of the date of this Prospectus and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following overview does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of a Security, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

Investors are advised to consult their professional advisers as to the tax consequences of purchase, ownership and disposition of the Notes.

All payments made by the Issuer of interest and principal under the Notes can be made free of withholding or deduction of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

## **16 Portugal Taxation**

The below is a summary of the Portuguese and European Union (“EU”) tax rules applicable to the ownership of the Notes, namely the relevant withholding tax rules (if any) in force as at the date of this Prospectus. This chapter does not analyse the tax implications that the acquisition or disposal of the Notes may entail, or that may indirectly arise from the decision to invest in the Notes.

This chapter is a general summary of the relevant features of the Portuguese tax system applicable to income arising from the ownership of the Notes. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular Noteholder, including tax considerations that arise from rules of general application or that are generally assumed to be known to Noteholders. It also does not contain in-depth information about all special and exceptional regimes, which may entail tax consequences at variance with those described herewith.

The meaning of the terminology adopted in respect of every technical feature, including the qualification of the securities issued as “bonds”, the classification of taxable events, the arrangements for taxation and potential tax benefits, among others, is the one in force in Portugal as at the date of this Prospectus. No other interpretations or meanings, potentially employed in other countries, are considered.

The tax framework described in this chapter is subject to any changes in law and practices (and the interpretation and application thereof) at any moment.

### **16.1 Portuguese tax resident individuals or individuals with a permanent establishment in Portugal to which income associated with the Notes is imputable**

#### *16.1.1 Income arising from the ownership of Notes*

Economic benefits derived from interest, amortisation, reimbursement premiums and other instances of remuneration arising from the Notes (including, upon a transfer of the Notes, the interest accrued since the last date on which interest was due), are classified as “investment income” for Portuguese tax purposes.

Investment income obtained on the Notes by a Portuguese resident individual is subject to Portuguese personal income tax (*Imposto sobre o Rendimento das Pessoas Singulares* - “IRS”). If investment income is made available to Portuguese resident individuals by an entity with its headquarters or effective management in Portugal or acting through a permanent establishment in Portugal, withholding tax applies at a rate of 28 per cent. This represents a final withholding, releasing the Noteholders from the obligation to



disclose the above income to the Portuguese tax authorities and from the payment of any additional amount of IRS, unless deriving such income in the capacity of entrepreneur or self-employed professional. Investment income paid or made available to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 35 per cent., unless the relevant beneficial owner(s) of the income is identified, in which case the tax rates applicable to such beneficial owner(s) apply.

If the investment income on the Notes is not received through an entity with its headquarters or effective management in Portugal or acting through a permanent establishment in Portugal, it is not subject to Portuguese withholding tax, but IRS at a special tax rate of 28 per cent. will apply. Moreover, if the entity paying out the investment income to the Noteholder is resident in a country, territory or region subject to a clearly more favourable tax regime, as listed in the Ministerial Order no. 150/2004, of 13 February, as amended by Ministerial Order no. 292/2011, of 8 November, the withholding tax rate or the special tax rate, as applicable, is increased to 35 per cent.

Alternatively, the Noteholders may opt for declaring said income in their tax returns, together with the remaining items of income derived. In that event, investment income shall be liable for IRS at the rate resulting from the application of the relevant progressive tax brackets for the year in question. The aggregate amount is subject to IRS at progressive rates of up to 48 per cent., plus a 3.5 per cent. surtax (*sobretaxa extraordinária*) on income exceeding €7,070 and a solidarity tax (*taxa adicional de solidariedade*) of up to 5 per cent. on income exceeding €250,000 (2.5 per cent. on income below €250,000, but exceeding €80,000). The progressive taxation under the IRS rules may then go up to 56.5 per cent., being the tax withheld deemed as a payment on account of the final tax due.

#### *16.1.2 Capital gains and capital losses arising from the disposal of Notes for consideration*

Capital gains obtained by Portuguese resident individuals on the transfer of Notes are taxed at a special tax rate of 28 per cent. levied on the positive difference between the capital gains and capital losses of each year. Alternatively, the Noteholders may opt for declaring such income in their tax returns, together with the remaining items of income derived. The aggregate amount is subject to IRS at progressive rates of up to 48 per cent., plus a 3.5 per cent. surtax (*sobretaxa extraordinária*) on income exceeding €7,070 and a solidarity tax (*taxa adicional de solidariedade*) of up to 5 per cent. on income exceeding €250,000 (2.5 per cent. on income below €250,000, but exceeding €80,000). The progressive taxation under the IRS rules may then go up to 56.5 per cent. No Portuguese withholding tax is levied on capital gains.

Losses arising from disposals for consideration in favour of counterparties subject to a clearly more favourable tax regime in the country, territory or region where it is a tax resident, listed in the Ministerial Order no. 150/2004 of 13 February, as amended by Ministerial Order no. 292/2011, of 8 November, are disregarded for purposes of assessing the positive or negative balance referred to in the previous paragraph.

Where the Portuguese resident individual chooses to disclose the capital gains or losses in his or her IRS return, any capital losses which were not offset against capital gains in the relevant tax period may be carried forward for 5 years and offset future capital gains.

#### *16.1.3 Gratuitous acquisition of Notes*

The gratuitous acquisition (per death or in life) of Notes by Portuguese tax resident individuals is not liable for stamp tax (otherwise due at a 10 per cent. rate) since the Issuer is not a Portuguese tax resident entity. Spouses, ancestors and descendants would nonetheless avail of an exemption from stamp tax on said acquisitions.

## **16.2 Resident corporate entities or non resident corporate entities with a permanent establishment to which income associated with the Notes is imputable**

### *16.2.1 Income arising from the ownership of Notes*

Investment income obtained on Notes by Portuguese legal persons resident for tax purposes in Portugal and by non resident legal persons with a permanent establishment in Portugal to which the income or gains are attributable are included in their taxable income and are subject to Portuguese corporate income tax (*Imposto sobre o Rendimento das Pessoas Coletivas* – "IRC") at a rate of 21 per cent. (small and medium-sized enterprises, as defined by law and subject to the *de minimis* rule of the EU, avail of a 17 per cent. corporate income tax rate for the first €15,000 of taxable income). A municipal surcharge (derrama municipal) of up to 1.5 per cent. (as set by municipal bodies) of its taxable income may be added. Corporate taxpayers are also subject to a State surcharge (derrama estadual) of 3 per cent. on the portion of the taxable profit between € 1.5 million and €7.5 million of 5 per cent. on the portion of the taxable profits between € 7.5 million and €35 million and of 7 per cent. on the portion exceeding €35 million.

Since the issuer of the Notes is always a non Portuguese resident entity, no withholding on account of the final IRC liability applies.

Corporate entities recognised as having public interest and charities, pension funds, retirement saving funds, education savings funds, retirement and education savings funds, share savings funds, venture capital funds organised and operating in accordance with Portuguese law and some other similar entities are exempt from IRC.

## **17 Spain Taxation**

The below is a summary and does not purport to be a complete overview of tax law and practice currently applicable in the Kingdom of Spain and is subject to any changes in law and the interpretation and application thereof that may take effect after such date, and which could be made with retroactive effect.

Furthermore, this is not a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Notes issued by the Issuer, an entity resident for tax purposes in United Kingdom, and does not describe the tax consequences for certain categories of taxpayers including, but not limited to, entities falling under the attribution of income regime, financial institutions, collective investment institutions and cooperatives, which may be subject to specific rules. Prospective Noteholders are urged to consult their own tax advisers as to the particular tax consequences to them of subscribing, purchasing, holding and disposing of the Notes, including the application and effect of state, local, foreign and other tax laws and the possible effects of changes in the tax laws of Spain.

The tax implications herein contained refer exclusively to the Notes, on an individual basis. If, together with the Notes, derivative instruments will be granted, a case-by-case analysis must be made in respect of the tax implications derived from such instruments.

This information has been prepared in accordance with the following Spanish tax legislation:

- (a) for individuals resident for tax purposes in Spain who are subject to personal income tax: Law 35/2006, of 28 November, on Personal Income Tax, partial amendment of Corporate Income Tax Law, Non-Residents Income Tax Law and Wealth Tax Law, recently amended by Law 26/2014, of 27 November (“**PIT Law**”); and
- (b) for legal entities resident for tax purposes in Spain which are subject to Corporate Income Tax: (a) Law 27/2014, of 27 November, on Corporate Income Tax; and (b) Royal Decree 1777/2004 of 30 July promulgating the Corporate Income Tax Regulations, as amended (“**CIT Regulations**”).

## **17.1 Taxation of a Spanish tax resident individual**

### *17.1.1 Personal Income Tax (Impuesto sobre la Renta de las Personas Físicas) (“PIT”)*

As regards income obtained by Spanish resident individuals under the Notes, no Spanish withholding taxes should be deducted by the Issuer if it is a non Spanish tax resident entity which does not have a permanent establishment in Spain.

However, Spanish withholding taxes on income obtained under the Notes may have to be deducted by other entities as follows:

- Interest paid to investors who are Spanish resident individuals will be subject to Spanish withholding tax at the rate applicable from time to time (according to the PIT Law, 20 per cent. for fiscal year 2015 and 19 per cent. as of 2016) to be deducted by the depositary entity of the Notes or the entity in charge of collecting the income derived there under, provided such entities are resident for tax purposes in Spain or have a permanent establishment in the Spanish territory.
- Income obtained upon transfer of the Notes will be subject to Spanish withholding tax at the rate applicable from time to time (according to the PIT Law, 20 per cent. for fiscal year 2015 and 19 per cent. as of 2016) to be deducted by the financial entity acting on behalf of the seller, provided such entity is resident for tax purposes in Spain or has a permanent establishment in the Spanish territory.
- Income obtained upon redemption of the Notes will be subject to Spanish withholding tax at the rate applicable from time to time (according to the PIT Law, 20 per cent. for fiscal year 2015 and 19 per cent. as of 2016) to be deducted by the financial entity appointed by the Issuer (if any) for redemption of the Notes, provided such entity is resident for tax purposes in Spain or has a permanent establishment in the Spanish territory.

Amounts withheld may be credited against the final Spanish resident individuals PIT liability.

## **17.2 Taxation of legal entities with tax residency in Spain subject to corporate income tax (Impuesto sobre Sociedades) (“CIT”)**

Income derived from the Notes obtained by entities which are considered taxable persons for CIT purposes will not be subject to withholding tax in accordance with the provisions of Article 59.s) of the CIT Regulations provided that the Notes are traded on an organised market of an OECD country.

## IMPORTANT LEGAL INFORMATION

The Bank and the Company are responsible for the contents of this Prospectus if it is used by any financial intermediary (an “**Authorised Offeror**”) who has complied with certain conditions relating to the use of this Prospectus, the full details of which are set out below. A potential investor in the Notes can confirm whether a financial intermediary is an Authorised Offeror by affirming that:

- (a) the relevant financial intermediary is listed in the Final Terms relating to a specific issuance of Notes; or
- (b) the relevant financial intermediary is listed on the website of the Issuers at *www.lloydsbankinggroup.com*; or
- (c) a specific statement (as set out in italics in full below) is made on the website of the relevant financial intermediary confirming that, for the specific series of Notes in issue, the relevant financial intermediary is offering that series of Notes in compliance with the offer terms put in place by the relevant Issuer (as set out below).

Each of the Bank and the Company accepts responsibility for the contents of this Prospectus and the relevant Final Terms.

Certain series of Notes may, subject to satisfaction of the conditions below by a financial intermediary, be subsequently resold, placed or otherwise offered by such financial intermediary in circumstances where there is a “**Public Offer**” (as required by the Prospectus Directive) in the jurisdictions for which the relevant Issuer has given its consent (the “**Public Offer Jurisdictions**”).

### **Consent given in accordance with Article 20a of Commission Delegated Regulation (EU) No 862/2012**

Subject to the conditions set out below:

- (a) if the Basis of Consent is specified as being “**Specific Consent**” in the relevant Final Terms, the relevant Issuer consents and (in connection with paragraph (v) below) offers to grant its consent, to the use of this Prospectus (as supplemented at the relevant time, if applicable) and the relevant Final Terms (and accepts responsibility for this Prospectus and the relevant Final Terms) in connection with a Public Offer of the relevant Tranche of Notes including any subsequent resale or final placement of such Notes:
  - (i) during the Offer Period specified in the applicable Final Terms;
  - (ii) in any of the Public Offer Jurisdictions specified in the applicable Final Terms;
  - (iii) to the relevant Dealer(s) specified in the applicable Final Terms;
  - (iv) to any financial intermediary specified in the relevant Final Terms as being an Initial Authorised Offeror; and
  - (v) to any other financial intermediary appointed after the date of publication of the relevant Final Terms and whose name is published on the relevant Issuer’s website (at *www.lloydsbankinggroup.com*) and identified as an Authorised Offeror, in respect of, and at the time such financial intermediary makes, the relevant Public Offer;

such Specific Consent is also subject to any other conditions set out in Part A of the relevant Final Terms.

The consent referred to above relates to any Offer Period occurring within 12 months from the date of this Prospectus. The Public Offer Jurisdictions for this Prospectus are Austria, Belgium, Denmark, France, Germany, Gibraltar, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Spain and the United Kingdom.

**In the event of an offer being made by an Authorised Offeror, the Authorised Offeror will provide information to potential Noteholders on the terms and conditions of the Public Offer at the time the offer is made.**

- (b) if the Basis of Consent is specified as being “**General Consent**” in the relevant Final Terms, the relevant Issuer consents and (in connection with paragraph (v) below) offers to grant its consent, to the use of this Prospectus (as supplemented as at the relevant time, if applicable) and the relevant Final Terms (and accepts responsibility for this Prospectus and the relevant Final Terms) in connection with any Public Offer of the relevant Tranche of Notes including any subsequent resale or final placement of such Notes:
- (i) during the Offer Period specified in the relevant Final Terms;
  - (ii) in any of the Public Offer Jurisdictions specified in the applicable Final Terms;
  - (iii) to the relevant Dealer(s) specified in the applicable Final Terms;
  - (iv) to any financial intermediary specified in the relevant Final Terms as being an Initial Authorised Offeror; and
  - (v) to any financial intermediary which satisfies the Authorised Offeror Terms as set out below.

The consent referred to above relates to any Offer Period occurring within 12 months from the date of this Prospectus. The Public Offer Jurisdictions for this Prospectus are Austria, Belgium, Denmark, France, Germany, Gibraltar, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Spain, and the United Kingdom.

**In the event of an offer being made by an Authorised Offeror, the Authorised Offeror will provide information to potential Noteholders on the terms and conditions of the Public Offer at the time the offer is made.**

The financial intermediaries referred to in paragraphs (a)(iv) and (b)(iv) above are together referred to herein as, the “**Authorised Offerors**”.

**Any financial intermediary falling within sub-paragraph (b) above who wishes to use this Prospectus in connection with a Public Offer as set out above is required, for the duration of the relevant Offer Period, to publish on its website that it is using this Prospectus for such Public Offer in accordance with the consent of the relevant Issuer and the conditions attached thereto in the following form (with the information in square brackets completed with the relevant information):**

*“We, [insert legal name of financial intermediary], refer to the [insert details of the relevant Notes] (the “**Notes**”) described in the Prospectus dated 9 April 2015”) published by Lloyds Bank plc and Lloyds Banking Group plc and the relevant Final Terms dated [specify date] (together, the “**Prospectus**”). In consideration of [Lloyds Bank plc] [Lloyds Banking Group plc] offering its consent to our use of the Prospectus in connection with the offer of the Notes in [relevant Member State(s), as specified in the relevant Final Terms] (the “**Public Offer**”) during the Offer Period in accordance with the Authorised Offeror Terms and subject to the other conditions to such consent, each as specified in the Prospectus, we hereby accept such offer and confirm that we are using the Prospectus in*

*connection with the Public Offer accordingly. Terms used herein and otherwise not defined shall have the same meaning as given to such terms in the Prospectus.”*

The “**Authorised Offeror Terms**” are that the relevant financial intermediary represents and agrees throughout the relevant Offer Period that it:

- A. is authorised to make such offers under Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments (“**MiFID**”) (in which regard, Investors should consult the register of authorised entities maintained by the FCA at [www.fca.org.uk/firms/systems-reporting/register](http://www.fca.org.uk/firms/systems-reporting/register)) (MiFID governs the organisation and conduct of the business of investment firms and the operation of regulated markets across the European Economic Area in order to seek to promote cross-border business, market transparency and the protection of investors);
- B. acts in accordance with all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the “**Rules**”), including the Rules published by the FCA (including its guidance for distributors in “**The Responsibilities of Providers and Distributors for the Fair Treatment of Customers**”) from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Notes by any person and disclosure to any potential investor;
- C. complies with the restrictions set out under “Subscription and Sale – Selling Restrictions” in this Prospectus which would apply as if the relevant financial intermediary were a Dealer;
- D. ensures that any fee, commissions or benefits of any kind or rebates received or paid by that financial intermediary in relation to the offer or sale of the Notes does not violate the Rules and is fully and clearly disclosed to Investors or potential Investors;
- E. holds all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Notes under the Rules, including authorisation under the FSMA and/or the Financial Services Act 2012;
- F. complies with applicable anti-money laundering, anti-bribery, prevention of corruption and “know your client” Rules, and does not permit any application for Notes in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
- G. retains investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested and to the extent permitted by the Rules, make such records available to the relevant Dealers and the relevant Issuer or directly to the appropriate authorities with jurisdiction over the relevant Issuer and/or the relevant Dealers in order to enable the relevant Issuer and/or the relevant Dealers to comply with anti-money laundering, anti-bribery, anti-corruption and “know your client” Rules applicable to them;
- H. ensures that no investor or potential investor shall become an indirect or direct client of the relevant Issuer or the relevant Dealers for the purposes of any applicable Rules from time to time, and to the extent that any client obligations are created by the relevant financial intermediary under any applicable Rules, then such financial intermediary shall perform any such obligations so arising;

- I. co-operates with the relevant Issuer and the relevant Dealers in providing such information (including, without limitation, documents and records maintained pursuant to paragraph G above) upon written request from the relevant Issuer or the relevant Dealers as is available to such financial intermediary or which is within its power and control from time to time, together with such further assistance as is reasonably requested by the relevant Issuer or the relevant Dealers:
- i. in connection with any request or investigation by the FCA or any other regulator in relation to the Notes, the relevant Issuer or the relevant Dealers; and/or
  - ii. in connection with any complaints received by the relevant Issuer and/or the relevant Dealers relating to the relevant Issuer and/or the relevant Dealers or another Authorised Offeror including, without limitation, complaints as defined in rules published by the FCA and/or any other regulator of competent jurisdiction from time to time; and/or
  - iii. which the relevant Issuer or the relevant Dealers may reasonably require from time to time in relation to the Notes and/or as to allow the relevant Issuer or the relevant Dealers fully to comply with its own legal, tax and regulatory requirements,
- in each case, as soon as is reasonably practicable and, in any event, within any time frame set by any such regulator or regulatory process;
- J. during the period of the initial offering of the Notes: (i) will not sell the Notes at any price other than the Issue Price (unless otherwise agreed with the relevant Dealers); (ii) will not sell the Notes otherwise than for settlement on the Issue Date; (iii) will not appoint any sub-distributors (unless otherwise agreed with the relevant Dealers); (iv) not pay any fee or remuneration or commissions or benefits to any third parties in relation to the offering or sale of the relevant Dealers (unless otherwise agreed with the relevant Dealers); and (v) will comply with any such other rules of conduct as may be reasonably required and specified by the relevant Dealers;
- K. will either (i) obtain from each potential investor an executed application for the Notes, or (ii) keep a record of all requests such financial intermediary (x) makes for its discretionary management clients, (y) receives from its advisory clients and (z) receives from its execution-only clients, in each case prior to making any order for the Notes on their behalf, and in each case maintain the same on its files for so long as is required by any applicable Rules;
- L. does not, directly or indirectly, cause the relevant Issuer or any relevant Dealer to breach any Rule or subject the relevant Issuer or any relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
- M. agrees and undertakes to indemnify the relevant Issuer and each relevant Dealer (in each case on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons) against any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel's fees and disbursements associated with any such investigation or defence) which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection with, any breach of any of the foregoing or following agreements, representations or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or

failure by such financial intermediary to observe any restrictions or requirements or the making by such financial intermediary of any unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by the relevant Issuer or the relevant Dealers;

- N. immediately gives notice to the relevant Issuer and the relevant Dealers if at any time such Authorised Offeror becomes aware or suspects that they are or may be in violation of any Rules or the terms of these Authorised Offeror Terms, and takes all appropriate steps to remedy such violation and comply with such Rules and these Authorised Offeror Terms in all respects;
- O. does not give any information other than that contained in this Prospectus (as may be amended or supplemented by the relevant Issuer from time to time) as completed by the relevant Final Terms or make any representation in connection with the offering or sale of, or the solicitation of interest in, any Notes;
- P. agrees that any communication in which it attaches or otherwise includes any announcement published by the relevant Issuer via a Regulatory News Service announcement at the end of the Offer Period will be consistent with the Prospectus as completed by the relevant Final Terms, and (in any case) must be fair, clear and not misleading and in compliance with the Rules and must state that such Authorised Offeror has provided it independently from the relevant Issuer and must expressly confirm neither the relevant Issuer nor any other Dealer has accepted any responsibility for the content of any such communication;
- Q. does not use the legal or publicity names of any relevant Dealer, the relevant Issuer or any other name, brand or logo registered by any entity within their respective groups or any material over which any such entity retains a proprietary interest or in any statements (oral or written), marketing material or documentation in relation to the Notes except to describe the relevant Issuer as issuer of the Notes; and
- R. agrees and accepts that:
  - 1. the contract between the relevant Issuer and the financial intermediary formed upon acceptance by the financial intermediary of the relevant Issuer's offer to use this Prospectus and the relevant Final Terms with its consent in connection with the relevant Public Offer (the "**Authorised Offeror Contract**"), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, English law;
  - 2. the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Authorised Offeror Contract (including a dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) and accordingly submits to the exclusive jurisdiction of the courts of England and Wales; and
  - 3. each of the relevant Dealers will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for their benefit, including the agreements, representations, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.



Such General Consent is also subject to any other conditions set out in Part A of the relevant Final Terms.

## INFORMATION FOR INVESTORS

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in or incorporated into this Prospectus (and any applicable supplement to this Prospectus) and the Final Terms;
- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the currency which it usually uses;
- (d) understands thoroughly the terms of the Notes and is familiar with the behaviour of the financial markets; and
- (e) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

No person is or has been authorised by the Issuers, the Dealers or the Trustee to give any information or to make any representation not contained in or not consistent with this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers, the Dealers or the Trustee.

Neither the publication of this Prospectus nor the offer, sale or delivery of the Notes shall, under any circumstances, create any implication that there has been no change in the affairs of the Bank or the Company since the date of this Prospectus or that there has been no adverse change in the financial position of the Bank or the Company since the date of this Prospectus or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. None of the Arranger, the Dealers or the Trustee undertakes to review the financial condition or affairs of the Bank or the Company during the life of the Notes to be issued under the Programme, nor to advise any investor in the Notes of any information coming to their attention.

Neither this Prospectus nor any other information supplied in connection with the offering of any Notes should be considered as a recommendation by the Bank, the Company, any Dealer or the Trustee that any recipient of this Prospectus should purchase any Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and any purchase of Notes should be based upon such investigation as such potential purchaser deems necessary.

## **The Arranger, the Dealers and the Trustee**

None of the Arranger, Dealers nor the Trustee has independently verified or confirmed the information contained in this Prospectus. No representation, warranty or undertaking, express or implied, is made by the Arranger, Dealers or the Trustee as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuers in connection with the offering of any Notes. Neither the Arranger, the Dealers nor the Trustee accepts liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuers in connection with the offering of any Notes or their distribution.

Some of the Dealers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Bank, the Company or any of their affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Bank, the Company or any of their affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Bank and/or the Company routinely hedge their credit exposure to the relevant Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Bank's and/or the Company's securities, including potentially any Notes which may be offered under the Programme. Any such short positions could adversely affect future trading prices of any Notes offered under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## **Legal investment considerations**

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

## **No incorporation of websites**

The contents of the websites of the Group do not form part of this Prospectus, and you should not rely on them.

## **Stabilisation**

In connection with the issue of any Tranche of Notes (as defined in "*Terms and Conditions of the Notes*"), one or more relevant Dealer or Dealers (the "**Stabilising Manager(s)**") (or any person acting on behalf of any Stabilising Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that any Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager) will undertake

stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the Final Terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) or person(s) acting on behalf of any Stabilising Manager(s) in accordance with all applicable laws and rules.

This Prospectus is based on English law in effect as of the date of issue of this Prospectus. Except to the extent required by laws and regulations, the Issuers do not intend, and do not assume any obligation, to update the Prospectus in light of the impact of any judicial decision or change to English law or administrative practice after the date of this Prospectus.

### **CREST depository interests**

In certain circumstances, investors may also hold interests in the Notes through CREST through the issue of CDIs representing interests in Underlying Notes. CDIs are independent securities constituted under English law and transferred through CREST and will be issued by CREST Depository Limited pursuant to the global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated). Neither the Notes nor any rights attached to the Notes will be issued, settled, held or transferred within the CREST system other than through the issue, settlement, holding or transfer of CDIs. CDI Holders will not be entitled to deal directly in the Notes and, accordingly, all dealings in the Notes will be effected through CREST in relation to the holding of CDIs. You should note that the CDIs are the result of the CREST settlement mechanics and are not the subject of this Prospectus.

## SUBSCRIPTION AND SALE

### Summary of Programme Agreement

Subject to the terms and on the conditions contained in a Programme Agreement dated 9 April 2015 (as modified and/or supplemented and/or restated as at the date of the issue of the Notes, the “**Programme Agreement**”) between the Bank, the Company, the Dealers (the “**Permanent Dealers**”) and such additional persons that are appointed as dealers in respect of the Programme (and whose appointment has not been terminated), as the case may be, and the Arranger, the Notes will be offered on a continuous basis by the Issuers to the Permanent Dealers and any such additional dealers. However, the Issuers have reserved the right to sell Notes directly on their own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the relevant Issuer through the Dealers, acting as agents of such Issuer. The Programme Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The relevant Issuer may pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuers have agreed to reimburse the Arranger for certain of its expenses incurred in connection with the establishment and update of the Programme.

The relevant Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the relevant Issuer.

## SELLING RESTRICTIONS

### United States

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

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Programme Agreement, it will not offer, sell or, in the case of Bearer Notes, deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such Tranche of Notes) may violate the registration requirements of the Securities Act.

This Prospectus has been prepared by the Issuers for use in connection with the offer and sale of the Notes outside the United States. The relevant Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States. Distribution of this Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States is unauthorised and any disclosure without the prior written consent of the relevant Issuer of any of its contents to any such U.S. person or other person within the United States is prohibited.

### Public offer selling restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “**Public Offer**”),

following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Public Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the relevant Issuer has consented in writing to its use for the purpose of that Public Offer;

- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “**Prospectus Directive**” means Directive 2003/71/EC, as amended (including by the Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

## United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not or, in the case of the Bank, would not, if the Bank was not an authorised person, apply to the relevant Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## Argentina

The Notes are not registered with the *Comisión Nacional de Valores* (the Argentine securities commission or the “**CNV**”) nor are the Issuers authorised issuers registered with the CNV. Consequently, no public offering of the Notes is authorised in Argentina and the Notes may not be sold under the Argentine Capital Markets Law No. 26,831, as amended, as regulated by Decree No. 1,023/2013 (the “**Securities Law**”). Furthermore, because the Securities Law does not have extraterritorial effects, public offerings which take place outside of Argentina are not regulated by the Securities Law. Accordingly, any transactions involving the Notes must be done privately, in circumstances that do not constitute a public offering or distribution under Argentine law and regulations.

Each Dealer has represented and warranted, and each further Dealer appointed under the Programme will be required to represent and warrant, that it will not (i) be domiciled or be located in Argentina, nor will have a local presence in Argentina, (ii) engage in any invitation to the general Argentine public, or certain sectors or groups in Argentina, made through personal offers, newspaper advertisements, radio or television broadcasts, internet, websites, films, billboards, signs, programmes, massive e-mail distributions, circulars, printed notices, marketing materials or by any other means, to enter into any transaction involving the Notes, (iii) offer or sell the Notes to any other person, whether by traditional or electronic means, for re-sale, directly or indirectly in Argentina, unless in compliance with the Securities Law, as amended, any regulations issued thereunder, and any other applicable Argentine laws and regulations; or (iv) negotiate in Argentina the terms and conditions of the transaction to be entered into with the investor, and the transaction will be closed and settled outside of Argentina. Failure to comply with one or more of these guidelines will not automatically result in a public offering of securities, but rather the situation would have to be reviewed depending on that particular case.

## **Australia**

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (the “**Australian Corporations Act**”) in relation to the Programme or any Notes has been, or will be, lodged with the Australian Securities and Investments Commission (“**ASIC**”). Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, unless the relevant Final Terms (or a relevant supplement to this Prospectus) otherwise provides, it:

- (a) has not made or invited, and will not make or invite, an offer of the Notes for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, this Prospectus or any other offering material or advertisement relating to the Notes in Australia,

unless:

- (i) the aggregate consideration payable by each offeree is at least A\$500,000 (or its equivalent in an alternative currency, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation does not otherwise require disclosure to investors under Parts 6D.2 or 7.9 of the Australian Corporations Act;
- (ii) the offer or invitation does not constitute an offer to a “retail client” for the purposes of section 761G and 761GA of the Australian Corporations Act;
- (iii) such action complies with any applicable laws, regulations and directives (including without limitation, the licensing requirements set out in Chapter 7 of the Australian Corporations Act) in Australia; and
- (iv) such action does not require any document to be lodged with ASIC.

## **Belgium**

*Offer to the public in Belgium:*

The Notes may be distributed in Belgium by way of an offer of securities to the public, as defined in Article 3 §1 of the Belgian Law of 16 June 2006 on public offerings of investment instruments and the admission of investment instruments to trading on regulated markets, as amended from time to time, (the “**Prospectus Law**”), only in the following circumstances:



- (i) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3 §2-4 of the Prospectus Law (a “**Public Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by Belgian Financial Services and Markets Authority (“*Autorité des services et marchés financiers/Autoriteit voor financiële diensten en markten*” (“**Belgian FSMA**”)) or, where appropriate, approved in another Member State of the European Economic Area which has implemented the Prospectus Directive and notified to the Belgian FSMA, provided that any such prospectus has subsequently been completed by the final terms contemplating such Public Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the relevant Issuer has consented in writing to its use for the purpose of that Public Offer; or
- (ii) in those circumstances set out in Article 3 §2-4 of the Prospectus Law.

*Private placements in Belgium:*

The Notes may not be distributed in Belgium by way of an offer of securities to the public, as defined in Article 3 §1 the Prospectus Law, save in those circumstances set out in Article 3 §2-4 of the Prospectus Law.

## **Bermuda**

This Prospectus and the Notes offered hereby have not been, and will not be, filed or registered under the laws and regulations of Bermuda, nor has any regulatory authority in Bermuda passed comment upon or approved the accuracy or adequacy of this Prospectus. The Notes offered hereby may not be offered to the public in Bermuda, except in compliance with the provisions of the Investment Business Act 2006 of Bermuda which regulates the sale of securities in Bermuda and neither this Prospectus, which has not been submitted to the Bermuda Minister of Finance, the Bermuda Registrar of Companies or the Bermuda Monetary Authority, nor any offering material or information contained herein relating to the Notes, may be supplied to the public in Bermuda or used in connection with any offer for the subscription or sale of Notes to the public in Bermuda.

## **Brazil**

The Notes have not been and will not be issued nor placed, distributed, offered or negotiated in the Brazilian capital markets. Neither the Issuers nor any of the Notes have been or will be registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*) (the “**CVM**”). Any public offering or distribution of the Notes in Brazil, as defined under Brazilian laws and regulations, requires prior registration under Law No. 6,385, of 7 December 1976, as amended, and Instruction No. 400, issued by the CVM on 29 December 2003, as amended. Documents relating to an offering of the Notes by this Prospectus, as well as information contained therein, may not be distributed to the public in Brazil, nor be used in connection with any offer for subscription or sale of the Notes to the public in Brazil. The Notes may not be offered or sold in Brazil and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Brazil, except in circumstances that do not constitute a public offering, placement, negotiation or distribution under Brazilian laws and regulations.

## **Cayman Islands**

No offer or invitation by, or on behalf of, the Issuers to subscribe for the Notes may be made from a place of business in the Cayman Islands to the public in the Cayman Islands.

## Chile

### Notice to Prospective Investors in Chile

The offer of the Notes is subject to Rule (*Norma de Carácter General*) No. 336, dated 27 June, 2012 issued by the Superintendency of Securities and Insurance of Chile (*Superintendencia de Valores y Seguros de Chile* or “SVS”). The Notes will not be registered under the Securities Market Law in the Securities Registry (**Registro de Valores**) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the SVS and, therefore, the Notes are not subject to the supervision of the SVS. As unregistered securities, the Issuers are not required to disclose public information about the Notes in Chile. Accordingly, the Notes cannot and will not be publicly offered to persons in Chile unless registered with the relevant Securities Registry of the SVS. The Notes may only be offered in Chile in circumstances that do not constitute a public offering under Chilean law or in compliance with General Rule No. 336 of the SVS. Pursuant to General Rule No. 336, the Notes may be privately offered in Chile to certain “qualified investors” identified as such therein (which in turn are further described in General Rule No. 216, dated 12 June, 2008 of the SVS).

### *Información a los Inversionistas Chilenos*

*La oferta de los bonos se encuentra acogida a la la Norma de Carácter General N° 336 (la “NCG 336”), de 27 de junio de 2012, de la Superintendencia de Valores y Seguros de Chile (la “SVS”). Los bonos que se ofrecen no están inscritos bajo la Ley de Mercado de Valores en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que tales valores no están sujetos a la fiscalización de ésta. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de estos valores. Los bonos no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente. Los bonos solo podrán ser ofrecidos en Chile en circunstancias que no constituyan una oferta pública o cumpliendo con lo dispuesto en la Norma de Carácter General N°336 de la SVS. En conformidad con lo dispuesto por la Norma de Carácter General N°336, los bonos podrán ser ofrecidos privadamente a ciertos “inversionistas calificados” identificados como tal en dicha norma (y que a su vez están descritos en la Norma de Carácter General N°216 de la SVS de fecha 12 de junio de 2008).*

## Colombia

This Prospectus does not constitute a public offer in the Republic of Colombia. It is being distributed under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations. Neither the Notes nor the Issuers have been or will be registered with the Superintendence of Finance of Colombia. The distribution of this Prospectus is made to less than one hundred specifically identified potential Colombian investors. Potential Colombian investors should make their own decision whether this financial product meets their investment objectives and risk tolerance level. Each potential Colombian investor should make its own inquiries and consult its own advisors as to this financial product and the Issuers, including the merits and risks involved, and as to legal, tax and related matters concerning an investment in the Notes. This Prospectus is marketed in Colombia or provided to Colombian residents in compliance with decree 2555 of 2010 and other applicable rules and regulations related to the promotion of foreign financial and/or securities related products or services in Colombia. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes may only be promoted to Colombian residents in compliance with decree 2555 of 2010 and under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations.

Colombian residents acknowledge and confirm Colombian laws and regulations (in particular, foreign exchange, securities and tax regulations) applicable to any solicitation of foreign financial products and represent that they are the sole liable party for full compliance with any such laws and regulations. In addition, the Colombian residents ensure that the Issuers will have no responsibility, liability or obligation in connection with any consent, approval, filing, proceeding, authorisation or permission required by the investor or any actions taken or to be taken by the investor in connection with the offer, sale or delivery of the Notes under Colombian law.

## **Denmark**

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent that the Notes have not been offered or sold and may not be offered, sold or delivered, directly or indirectly, in Denmark, unless in compliance with Chapters 6 and 12 of the Danish Securities Trading Act, Consolidated Act No. 831 of 12 June 2014 and any executive orders issued pursuant thereto, all as amended from time to time.

## **Dubai International Financial Centre**

This Prospectus relates to an Exempt Offer in accordance with the Markets Rules of the Dubai Financial Services Authority (“**DFSA**”). This Prospectus is intended for distribution only to Professional Clients (as defined by the DFSA) who are not natural persons. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Prospectus nor taken steps to verify the information set out in it, and has no responsibility for it. The Notes to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Notes offered should conduct their own due diligence on the Notes. If you do not understand the contents of this Prospectus you should consult an authorised financial adviser.

## **Ecuador**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) to the extent the Notes qualify as securities within the meaning of article 2 of the Stock Market Law (“**SML**”), it will not publicly offer, sell or advertise the Notes in or from Ecuador, as such term is defined or interpreted under the SML; and
- (ii) to the extent the Notes could also qualify as banking products within the meaning of the Monetary and Financing Code (the “**COMF**”), it will not publicly and massively offer, sell or advertise the Notes in or from Ecuador, as such term is interpreted under the COMF.

Neither this Prospectus nor any other documents related to the Notes constitute a prospectus in the sense of article 12(3) of the SML and neither this Prospectus nor any other documents related to the Notes may be publicly distributed or otherwise made publicly available in Ecuador. The Issuers have not applied for a listing of the Notes on the Stock Market Registry nor in any regulated securities market in Ecuador, and consequently, the information presented in this Prospectus does not necessarily comply with the information standards set out in the SML.

## France

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) Offer to the public in France:

it has only made and will only make an offer of Notes to the public in France approved by the *Autorité des marchés financiers* (“**AMF**”) in the period beginning on the date of notification to the **AMF** of the approval of the prospectus relating to those Notes by the competent authority of a member state of the European Economic Area, other than the AMF, which has implemented the EU Prospectus Directive 2003/71/EC, as amended, all in accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF, and ending at the latest on the date which is 12 months after the date of the approval of such prospectus; or

- (ii) Private placement in France:

it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d’investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*) and/or (c) a limited circle of investors (*cercle restreint*) acting for their own account, as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 and D.411-4 of the French *Code monétaire et financier*.

## Gibraltar

Gibraltar is part of the European Economic Area, having joined under the United Kingdom in 1973 (as a European territory for whose external relations a Member State is responsible). Gibraltar has implemented the Prospectus Directive.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including 2 August 2005 (the “**Gibraltar Implementation Date**”), it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to the public in Gibraltar except that it may, with effect from and including the Gibraltar Implementation Date, make an offer of such Notes to the public in Gibraltar if:

- (i) the Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 6(4) of the Gibraltar Prospectuses Act 2005 (the “**GPA**”) in Gibraltar (a “**Gibraltar Non-Exempt Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the Gibraltar Financial Services Commission (the “**GFSC**”) or, where appropriate, approved in another Relevant Member State and notified to the GFSC, in accordance with the GPA, provided that any such prospectus has subsequently been completed by the Final Terms contemplating such Gibraltar Non-Exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Final Terms, as applicable and the Issuers have consented in writing to its use for the purpose of a Gibraltar Non-Exempt Offer;
- (ii) the offer is addressed only to “qualified investors” as defined in the GPA;

- (iii) the offer is addressed to fewer than 150 persons per Member State, other than qualified investors;
- (iv) at any time in any other circumstances falling within section 6(4) of the GPA,

provided that no such offer of Notes referred to in paragraphs (ii) to (iv) above shall require the Issuers or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive or require the Issuers to comply with the procedures stipulated under the Gibraltar Companies Act 2014 concerning prospectuses.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) with respect to anything done by it in relation to the Notes, in, from or otherwise involving Gibraltar, it has complied and will continue to comply with all provisions applicable to it under the Gibraltar Financial Services (Investment and Fiduciary Services) Act 1989, the Gibraltar Financial Services (Markets in Financial Instruments) Act 2006 and the Gibraltar Financial Services (Banking) Act 1992; and
- (ii) it will not issue or cause to be issued, make or cause to be made, any investment advertisement or promotion in or from within Gibraltar, unless:
  - (a) it is authorised and/or approved to do so under the provisions applicable to it under the Gibraltar Financial Services (Investment and Fiduciary Services) Act 1989, the Gibraltar Financial Services (Markets in Financial Instruments) Act 2006, the Gibraltar Financial Services (Banking) Act 1992 and the Gibraltar Financial Services (Advertisements) Regulations 1991;
  - (b) an advertisement for a Gibraltar Non-Exempt Offer, is in accordance with section 17 of the GPA; and
  - (c) it has received the prior written approval of the Issuers.

## Guernsey

The Notes are not being offered to the public in Guernsey and the Notes will not be offered to the public unless all the relevant legal and regulatory requirements of Guernsey law have been complied with. This Prospectus may not be generally distributed in Guernsey. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, on terms to this effect.

## Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**Securities and Futures Ordinance**”) other than (a) to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

## **Ireland**

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (i) it will not offer, underwrite the issue of, or place, the Notes otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended) including, without limitation, Regulations 7 and 152 thereof or any codes of conduct issued in connection therewith, and the provisions of the Investor Compensation Act 1998;
- (ii) it will not offer, underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Companies Acts 1963-2013 (as amended), the Central Banks Acts 1942 to 2014 and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;
- (iii) it will not offer, underwrite the issue of, or place, or do anything in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank of Ireland (the “**Central Bank**”);
- (iv) it will not offer, underwrite the issue of, place, or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) and any rules issued under Section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank; and
- (v) no Notes will be offered or sold with a maturity of less than 12 months except in full compliance with Notice BSD C 01/02 issued by the Central Bank.

## **Isle of Man**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has only engaged in, and will only engage in, investment activity with Isle of Man persons, and that it has only communicated or caused to be communicated and will only communicate or cause to be communicated to, Isle of Man persons invitations or inducements to engage in investment activity, in the circumstances permitted in terms of paragraph 2(d) of Schedule 1 to the Isle of Man Regulated Activities Order 2011, or if it has otherwise complied and will otherwise comply with all applicable Isle of Man laws and regulations with respect to anything done by it in relation to any Notes in, from or otherwise involving the Isle of Man.

This Prospectus has not been, and is not required to be, filed or lodged with any regulatory or other authority in the Isle of Man. The Issuers are not subject to regulatory approval in the Isle of Man and holders of Notes are not protected by any statutory compensation arrangements in the event of the relevant Issuer’s failure. The

Isle of Man Financial Supervision Commission does not vouch for the financial soundness of the Issuers or the correctness of any statements made or opinions expressed with regard to it.

## **Israel**

The Notes offered hereby are not being sold pursuant to a prospectus that has been qualified with the Israeli Securities Authority. As such, the Notes may not be offered in Israel or to Israeli residents other than to persons who have confirmed in writing prior to and in connection with their investment that (i) they are among the types of investors listed in Sections (1) – (9) of Appendix 1 of the Securities Law, 5728-1968, of the State of Israel (an “**Exempted Investor**”), (ii) they are aware of the legal consequences of their qualifying as an Exempted Investor and consent thereto, and (iii) they are purchasing the Notes for their own account, for investment purposes, and without a present intention of resale.

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the account or benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

## **Jersey**

An offer for subscription, sale or exchange of the Notes will not be circulated in Jersey and this Prospectus will not be circulated in Jersey unless all the relevant legal and regulatory requirements of Jersey law have been complied with prior to such circulation. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, on terms to this effect.

## **Malta**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that: (i) it has not issued or caused to be issued and it will not issue or cause to be issued any investment advertisement, as defined in the Investment Services Act (Chapter 370 of the Laws of Malta) (the “**ISA**”), in relation to the Notes or the offer of Notes, in or from within Malta, except that it may issue or cause to be issued such investment advertisement in or from within Malta if it is issued or its contents have been approved by a licence holder in terms of the ISA or if and to the extent that an exemption from the requirements set out in article 11(1)(b) of the ISA applies under Maltese law; and (ii) if any offer of Notes is made in Malta and/or any advertisement or any other document or information in relation to an offer of Notes or the Notes is issued or caused to be issued in or from Malta, such offer will be made and/or such advertisement, document or information will be so issued or caused to be issued in accordance with Maltese law.

Each Dealer has further represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not issue or cause to be issued any investment advertisement, as

defined in the ISA, in relation to the Notes or the offer of Notes, in or from within Malta, unless it is authorised to do so by the Issuers.

## **Mexico**

The Notes have not and will not be registered with the National Securities Registry (*Registro Nacional de Valores*) maintained by the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*) of Mexico and they may not be publicly offered in Mexico. The Notes may, however, be privately offered in Mexico in the context of one of the private placement exceptions included in the Mexican Securities Market Law (*Ley del Mercado de Valores*).

## **Monaco**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that the Notes shall not be marketed, offered or sold, directly or indirectly, to the public in Monaco other than, by a Monaco duly authorised intermediary acting as a professional institutional investor which has such knowledge and experience in financial and business matters as to be capable of evaluating the risks and merits of an investment in the Notes. Consequently, the Notes may only be communicated to banks duly licensed by the *Autorité de Contrôle Prudentiel et de Résolution* and by the *Ministère d'Etat* and/or to fully licensed portfolio management companies the said licence being granted by the *Commission de Contrôle des Activités Financières* by virtue of Law n° 1.338 of 7 September 2007.

The recipient of this Prospectus is perfectly fluent in English and waives the possibility to a French version of the Programme.

*Les destinataires du présent document reconnaissent être à même d'en prendre connaissance en langue anglaise et renoncent expressément à une traduction française.*

## **The Netherlands**

Notes (or any interest therein) issued by the Company are not and may not, directly or indirectly, be offered, sold, pledged, delivered or transferred in the Netherlands, on their issue date or at any time thereafter, and neither this Prospectus nor any other document in relation to any offering of Notes (or any interest therein) issued by the Company may be distributed or circulated in the Netherlands, other than to qualified investors as defined in the Prospectus Directive (as defined under “*Public offer selling restriction under the Prospectus Directive*” above), provided that these parties acquire Notes issued by the Company for their own account or that of another qualified investor. The Company does not have authorisation from the Dutch Central Bank (*De Nederlandsche Bank*) for the pursuit of the business of a bank in The Netherlands and the Company does not have a licence pursuant to section 2:11(1) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

Zero Coupon Notes in bearer form and other Notes in bearer form on which no interest is paid during their tenor may fall within the definition of savings certificates as referred to in the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) and if so any transfer or acceptance, directly or indirectly, within, from or into The Netherlands of such Notes is prohibited unless it is done through the mediation of the relevant Issuer or a member of Euronext Amsterdam N.V., and certain identification requirements in relation to the issue, transfer of or payment on Notes qualifying as savings certificates have to be complied with. The above prohibition does not apply (i) to a transfer and acceptance of such Notes between individuals who do not act in the conduct of a profession or a business, (ii) to the initial issue and trading of such Notes by the relevant Issuer to the first holders thereof, and (iii) to the issue and trading of such Notes by the relevant Issuer if such Notes



are physically issued outside of The Netherlands and are not immediately thereafter distributed in The Netherlands or to residents of The Netherlands in the course of primary trading.

## **Panama**

The Notes have not been and will not be registered with the Superintendence of the Capital Markets of the Republic of Panama under Decree Law N°1 of 8 July 1999 (the “**Panamanian Securities Act**”) and may not be publicly offered or sold within Panama, except in certain limited transactions exempt from the registration requirements of the Panamanian Securities Act. The Notes do not benefit from the tax incentives provided by the Panamanian Securities Act and are not subject to regulation or supervision by the Superintendence of the Capital Markets of the Republic of Panama.

## **Paraguay**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been registered and are not being distributed and will not be distributed in Paraguay by way of a public offer, as defined in Article 4 of Law N° 1284/98 (*Ley del Mercado de Valores*).

The Notes offered herein were issued outside of Paraguay. Accordingly, the Paraguayan Central Bank (Banco Central del Paraguay), the Paraguayan Stock Exchange Commission (*Comisión Nacional de Valores del Paraguay*) and the Paraguayan Banking Superintendency (*Superintendencia de Bancos del Banco Central del Paraguay*) do not regulate the offering of the Notes or any obligations that may arise from such offering.

The Paraguayan Deposit Insurance legislation (*Ley 2.334/2003 de Garantía de Depósitos*) does not insure investments in the offered Notes.

## **People’s Republic of China**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold by it or any of its affiliates, directly or indirectly, in the People’s Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People’s Republic of China.

## **Peru**

Neither this Prospectus nor the Notes have been registered with the Peruvian Securities Market Regulator (“**Superintendencia del Mercado de Valores**”). Accordingly, each Dealer has further represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it and each of its affiliates has not offered or sold, and will not offer or sell, any Notes in Peru except that they may offer Notes in circumstances which do not constitute a public offering under Peruvian laws and regulations.

The Notes will not be registered in the *Registro Público del Mercado de Valores*. As a result, the offering of the Notes is limited to the restrictions set forth in the Peruvian Securities Market Law. Noteholders are not permitted to transfer the Notes in Peru unless said transfer involves an institutional investor or the Notes are previously registered in the *Registro Público del Mercado de Valores*.

## Portugal

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) Offers to the public:

it has only made and will only make an offer of Notes to the public in Portugal following the approval of this Prospectus, or the passporting of this Prospectus as approved by a competent authority of another EU Member State, which has implemented the EU Prospectus Directive 2003/71/EC (as amended by Directive 2010/73/EU), by the *Comissão de Mercado de Valores Mobiliários* (“**CMVM**”) in accordance with Articles 146 of the Portuguese Securities Code until the date which is 12 months after the date of the approval of such prospectus and provided that the CMVM has received the all the information required for the passporting of the prospectus to be complete; or

(ii) Private placement:

no Notes have been or will be offered or sold (i) to 150 or more addressees who are not Portuguese Qualified Investors or (ii) to investors acquiring each an amount equal to €100,000 and, in any case, no offer has been preceded or followed by promotion or solicitation to unidentified investors, public advertisement or publication of any promotional material. In particular, this Prospectus and the offer of Notes is only intended for Qualified Investors. Qualified Investors shall have the meaning attributed to it under the terms of Article 30 of the Portuguese Securities Code.

## Republic of Korea

The Notes have not been and will not be registered with the Financial Services Commission of Korea for public offering in Korea under the Financial Investment Services and Capital Markets Act and its subordinate decrees and regulations (collectively the “**FSCMA**”). The Notes may not be offered, sold or delivered, directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except as otherwise permitted under the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction Law and its subordinate decrees and regulations (collectively, the “**FETL**”). Without prejudice to the foregoing, the number of the Notes offered in Korea or to a resident in Korea shall be less than fifty, and for a period of one year from the Issue Date of the Notes, none of the Notes may be divided resulting in an increased number of the Notes. Furthermore, the Notes may not be resold to Korean residents unless the purchaser of the Notes complies with all applicable regulatory requirements (including but not limited to government reporting requirements under the FETL) in connection with the purchase of the Notes.

## San Marino

This Prospectus has not been registered with the Central Bank of San Marino (“**Banca Centrale della Repubblica di San Marino**”, also “**BCSM**”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that Notes may only be offered or sold to the public in San Marino pursuant to and in compliance with the Law 2005/165 “*Legge sulle imprese e sui servizi bancari, finanziari ed assicurativi*”, the BCSM Rule 2007/07 and BCSM Rules 2006-03, as amended, and any regulation issued thereunder. Therefore, no offer will be made to the public, whether directly or indirectly, in San Marino unless it is in compliance with the LISF and BCSM Rules 2006-03 and 2007/07 and any regulation issued thereunder.

## Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

## Spain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, until this Prospectus has been registered with the Spanish Securities Market Regulator (*Comisión Nacional del Mercado de Valores*), no Notes may be offered or sold in Spain nor any document or offer material be distributed in Spain or targeted at Spanish resident investors save in compliance and in accordance with the requirements set out in Law 24/1988, and Royal Decree 1310/2005, both as amended, and any regulation issued thereunder.

Once the Prospectus has been passported into Spain, any offer of Notes in Spain made pursuant to such passported Prospectus shall be addressed only, and offer material will be solely made available, to those investors to which the offer is addressed according to the terms of the Prospectus as passported into Spain.

## Sweden

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no offer will be made to the public in Sweden unless it is in compliance with the Swedish Financial Instruments Trading Act (*Sw. lag (1991:980) om handel med finansiella instrument*) and any other applicable Swedish law.

## Switzerland

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except where explicitly permitted by the relevant Final Terms:

- (i) it will not publicly offer the Notes in or from Switzerland, as such term is defined or interpreted under the Swiss Code of Obligations (“CO”); and
- (ii) to the extent the Notes qualify as structured products (the “**Structured Products**”) within the meaning of the Swiss Collective Investment Schemes Act (the “**CISA**”), it will not offer, sell, advertise or distribute the Notes in or from Switzerland, as such terms are defined or interpreted under the CISA, except to qualified investors as defined in article 10 CISA (the “**Qualified Investors**”).

The Notes may not be publicly offered in or from Switzerland, except in the case of Notes, the Final Terms of which explicitly permit a public offer in Switzerland. Offering or marketing material relating to Notes, the Final Terms of which do not explicitly permit a public offer in Switzerland, may not be publicly distributed or otherwise made publicly available in Switzerland.

To the extent the Notes qualify as Structured Products, the Notes may not be offered, sold, advertised or distributed, directly or indirectly, in or from Switzerland, except (i) to Qualified Investors or (ii) in the case of Notes, the Final Terms of which explicitly permit a public offer in Switzerland. Offering or marketing material relating to Notes, which qualify as Structured Products and the Final Terms of which do not explicitly permit a public offer in Switzerland, may not be distributed or otherwise made available in Switzerland, except (i) to Qualified Investors or (ii) in the case of Notes, the Final Terms of which explicitly permit a public offer in Switzerland.

The Notes do not constitute participations in a collective investment scheme within the meaning of the CISA. Therefore, the Notes are not subject to the approval of, or supervision by, the Swiss Financial Market Supervisory Authority (“**FINMA**”), and investors in the Notes will not benefit from protection under the CISA or supervision by FINMA.

## Taiwan

The Notes, if listed on the Taipei Exchange for sale to professional or general investors in Taiwan and to the extent permitted by the relevant Taiwan laws and regulations, may be sold in Taiwan to professional or general investors, as applicable, or, if not listed on the Taipei Exchange, may be made available, (i) to Taiwan resident investors outside Taiwan for purchase by such investors outside Taiwan; (ii) to the Offshore Banking Units of Taiwan banks or the Offshore Securities Units of Taiwan securities firms purchasing the Notes either for their proprietary account or for the accounts of their non-Taiwan clients (“**OBU/OSU Channel Sales**”); and/or (iii) to investors in Taiwan through certain licensed Taiwan financial institutions to the extent permitted under relevant Taiwan laws and regulations, but may not, otherwise be offered, sold or resold in Taiwan.

## **United Arab Emirates (excluding the Dubai International Financial Centre)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

## **Uruguay**

The Notes have not been registered with the Superintendence of Financial Services in Uruguay and were not and will not be traded on any Uruguayan stock exchange.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to the public in Uruguay, except pursuant only to a private offer of securities.

## **Venezuela**

Neither this Prospectus nor the Notes have been registered with the Venezuelan Securities Market Regulator ("*Superintendencia Nacional de Valores*"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that will not conduct a Public Offer of the Notes in Venezuela. For the sole purpose of this selling restriction with respect to Venezuela, "Public Offer" is the offer of Notes made to the public, particular sectors or groups through any publicity or diffusion means in Venezuela.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that will not privately place or offer the Notes within Venezuela.

## **General**

These selling restrictions may be modified by the agreement of the Issuers and the Dealers following a change in a relevant law, regulation or directive.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required (other than actions by the Issuers to meet requirements of the Prospectus Directive for offerings contemplated in this Prospectus and the Final Terms).

Neither the Issuers nor the Dealers represent that Notes may at any time lawfully be sold in compliance with any appropriate registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it shall, to the best of its knowledge and belief, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Prospectus, any other offering material or any Final Terms and, that it will, obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws, regulations and directives in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sale or deliveries, and neither the Issuers nor any other Dealer shall have responsibility therefor.

## TRANSFER RESTRICTIONS

Each purchaser of Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period (as used in “**Selling Restrictions**”), by its acceptance of such Notes, will be deemed to have represented, agreed and acknowledged that:

- (i) It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (as such terms are defined in Regulation S) and (b) it is not an affiliate of the Issuers or a person acting on behalf of such an affiliate.
- (ii) It understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.
- (iii) It understands that the Issuers, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.
- (iv) It understands that the Notes offered in reliance on Regulation S will be represented by a Global Certificate or a Global Note. Prior to the expiration of the distribution compliance period, before any interest in the Global Certificate or the Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Global Certificate or the Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.
- (v) It understands that such Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend to the following:

“THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.”

## FORM OF FINAL TERMS

Final Terms dated [●]

[Lloyds Bank plc]

[Lloyds Banking Group plc]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the £5,000,000,000

Low Denomination Euro Medium Term Note Programme

### PART A — CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) contained in the Trust Deed dated [date] and set forth in the Prospectus dated [date] [and the supplemental Prospectus(es) dated [date[s]]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) and amendments thereto, to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The summary of the Notes is appended to these Final Terms. The Prospectus [and the supplemental Prospectus(es)] [is] [are] available for viewing at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html) and copies may be obtained from [Lloyds Bank plc, 25 Gresham Street, London EC2V 7HN] [Lloyds Banking Group plc, The Mound, Edinburgh EH1 1YZ].

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) contained in the Trust Deed dated [original date] and set forth in the Prospectus dated [original date] [and the supplemental Prospectus(es) dated [date[s]]] and incorporated by reference into the Prospectus dated [current date] and which are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) and amendments thereto, to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area (the “**Prospectus Directive**”) and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus(es) dated [date[s]]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. The Prospectuses [and the supplemental Prospectus(es)] are available for viewing at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html) and copies may be obtained from [Lloyds Bank plc, 25 Gresham Street, London EC2V 7HN] [Lloyds Banking Group plc, The Mound, Edinburgh EH1 1YZ].]

- |   |                        |   |
|---|------------------------|---|
| 1 | Issuer:                | [Lloyds Bank plc]<br>[Lloyds Banking Group plc] |
| 2 | (i) Series Number:     | [●]   |
|   | (ii) [Tranche Number:] | [●]   |

|    |  |  |
|----|--|--|
|    | (iii) [Date on which Notes will be consolidated and form a single Series:] | [The Notes will be consolidated and form a single Series with [●] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, which is expected to occur on or about [●]]/Not Applicable]                           |
| 3  | Specified Currency:  | [●]  |
| 4  | Aggregate Nominal Amount:  | [●]  |
|    | (i) [Series:]  | [●]  |
|    | (ii) [Tranche:]  | [●]  |
| 5  | Issue Price:   | [●] per cent. of the Aggregate Nominal Amount<br>[plus accrued interest from [●]]  |
| 6  | (i) Specified Denominations:   | [●] [and integral multiples of [●] in excess thereof up to and including [●]. No Notes in definitive form will be issued with a denomination above [●]]  |
|    | (ii) Calculation Amount:   | [●]<br>[Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, with CNY0.005 being rounded upwards.] |
| 7  | (i) Issue Date:  | [●]  |
|    | (ii) [Interest Commencement Date:]   | [Issue Date/[●]]/Not Applicable]   |
| 8  | Maturity Date:   | [[●]/Interest Payment Date falling in or nearest to [●]]   |
| 9  | Interest Basis:  | [[●] per cent. Fixed Rate]<br>[[LIBOR/EURIBOR] +/- ● per cent. Floating Rate]<br>[Zero Coupon]   |
| 10 | Redemption Basis:  | [Redemption at par/Redemption at [●] per Calculation Amount]   |
| 11 | Change of Interest or Redemption/Payment Basis:                            | [[●]/Not Applicable]   |
| 12 | Alternative Currency Equivalent:   | [Not Applicable/Applicable]  |
|    | (i) Alternative Currency:  | [●]  |
|    | (ii) Alternative Currency Adjudication Agent:                              | [●]  |
|    | (iii) Alternative Currency Calculation Agent:                              | [●]  |



|    |  |  |
|----|--|--|
|    | (iv) Rate Calculation Jurisdiction(s):             | [●]  |
|    | (v) Rate Calculation Business Days:                | [●]  |
|    | (vi) Scheduled Payment Currency Disruption Events: | As specified in the Conditions [and [●]]                                   |
|    | (vii) Settlement Rate Option:                      | [[●]/Alternative Currency Adjudication Agent Determination]                |
|    | (viii) USD Settlement Rate Option:                 | [[●]/Alternative Currency Adjudication Agent Determination/Not Applicable] |
|    | (ix) Maximum Days of Postponement:                 | [●]  |
| 13 | <b>Synthetic Currency Asset Conditions</b>         | [Applicable]/[Not Applicable]  |
|    | (i) Payment Currency:                              | [●]  |
|    | (ii) Rate Calculation Date:                        |  |
|    | - Number of Rate Calculation Business Days:        | [●]  |
|    | - Rate Calculation Business Days:                  | [●]  |
|    | - Rate Calculation Business Centre(s):             | [●]  |
|    | - [Principal Financial Centre(s):                  | [●]/[As stated in Condition 6(j)(e)]                                       |
|    | (iii) Maximum Days of Postponement:                | [●]/[Not Applicable]   |
|    | (iv) Synthetic Currency FX Rate:                   |  |
|    | Cross Rate:  | [Applicable]/[Not Applicable]  |

|  |                               |
|--|-------------------------------|
| [- Crossing Currency:  | [●]                           |
| Cross Rate Rounding:   | [Applicable]/[Not Applicable] |
| - Number of Cross Rate Rounding Places:  | [●]                           |
| [Synthetic Currency FX Rate][Specified-Crossing Currency FX Rate]:                 |                               |
| [ISDA Determination:   | [Applicable]/[Not Applicable] |
| - Settlement Rate Option:  | [●]                           |
| [FX Price Source Determination:  | [Applicable]/[Not Applicable] |
| - FX Price Source:   | [●]                           |
| - Number of FX Settlement Days:  | [●]                           |
| - FX Settlement Business Centre(s):  | [●]                           |
| - [Synthetic Currency Valuation Time][Specified-Crossing Currency Valuation Time]: | [●]                           |
| - Reciprocal Rate Rounding:  | [Applicable]/[Not Applicable] |
| - Number of Reciprocal Rounding Places:  | [●]                           |
| [Crossing-Payment Currency FX Rate:]   |                               |
| [ISDA Determination:   | [Applicable]/[Not Applicable] |

- Settlement Rate Option: [●]

[FX Price Source Determination: [Applicable]/[Not Applicable]

- FX Price Source: [●]

- Number of FX Settlement Days: [●]

- FX Settlement Business Centre(s): [●]

- Crossing-Payment Currency Valuation Time: [●]

- Reciprocal Rate Rounding: [Applicable]/[Not Applicable]

- Number of Reciprocal Rounding Places: [●]

(v) Disruption Fallbacks:

[Calculation Agent Determination]  
 [Currency-Reference Dealers]  
 [Other Published Sources]  
 [Postponement]  
 [Maximum Days of Postponement: [●]]  
 [Yen Calculation Agent Determination]  
 [FX Reference Banks: [●]]  
 [EM Valuation Postponement]  
 [Maximum Days of EM Valuation Postponement:  
 [●]]  
 [EM Valuation Fallback Postponement]  
 [Maximum Days of EM Valuation Fallback  
 Postponement: [●]]

[Fallback Reference Price:

Cross Rate: [Applicable]/[Not  
Applicable]

[- Crossing Currency: [●]]

Cross Rate Rounding: [Applicable]/[Not  
Applicable]

- Number of Cross Rate [●]  
Rounding Places:

[Synthetic Currency FX  
Rate][Specified-  
Crossing Currency FX

[ISDA Determination: [Applicable]/[Not  
Applicable]

Settlement Rate Option: [●]

[FX Price Source [Applicable]/[Not  
Determination: Applicable]

|   |                               |
|---|-------------------------------|
| - FX Price Source:                      | [●]                           |
|   |                               |
| - Number of FX Settlement Days:         | [●]                           |
|   |                               |
| - FX Settlement Business Centre(s):     | [●]                           |
|   |                               |
| - Synthetic Currency Valuation Time:    | [●]                           |
|   |                               |
| - Reciprocal Rate Rounding:             | [Applicable]/[Not Applicable] |
|   |                               |
| - Number of Reciprocal Rounding Places: | [●]                           |
|   |                               |
| [Crossing-Payment Currency FX Rate:]    |                               |
|   |                               |
| [ISDA Determination:                    | [Applicable]/[Not Applicable] |
|   |                               |
| - Settlement Rate Option:               | [●]                           |
|   |                               |
| [FX Price Source Determination:         | [Applicable]/[Not Applicable] |
|   |                               |
| - FX Price Source:                      | [●]                           |
|   |                               |
| - Number of FX Settlement Days:         | [●]                           |
|   |                               |
| - FX Settlement Business Centre(s):     | [●]                           |
|   |                               |
| - Synthetic Currency Valuation Time:    | [●]                           |
|   |                               |
| - Reciprocal Rate Rounding:             | [Applicable]/[Not Applicable] |

- Number of Reciprocal Rounding Places [●]]

[Cross Rate Fallback:

Fallback Crossing Currency: [●]

Cross Rate Rounding: [Applicable]/[Not Applicable]

[- Number of Cross Rate Rounding Places: [●]]

[Synthetic Currency FX Rate][Specified-Crossing Currency FX

[ISDA Determination: [Applicable]/[Not Applicable]

- Settlement Rate Option: [●]]

[FX Price Source Determination: [Applicable]/[Not Applicable]

- FX Price Source: [●]

- Number of FX Settlement Days: [●]

- FX Settlement Business Centre(s): [●]

- Synthetic Currency Valuation Time: [●]

- Reciprocal Rate Rounding: [Applicable]/[Not Applicable]

- Number of Reciprocal Rounding Places: [●]]

|                           |   |                                  |
|---------------------------|---|----------------------------------|
|                           | [Crossing-Payment<br>Currency FX Rate:]               |                                  |
|                           | [ISDA Determination:                                  | [Applicable]/[Not<br>Applicable] |
|                           | - Settlement Rate<br>Option:                          | [●]]                             |
|                           | [FX Price Source<br>Determination:                    | [Applicable]/[Not<br>Applicable] |
|                           | - FX Price Source:                                    | [●]                              |
|                           | - Number of FX<br>Settlement Days:                    | [●]                              |
|                           | - FX Price Source:                                    | [●]                              |
|                           | - Number of FX<br>Settlement Days:                    | [●]                              |
|                           | - FX Settlement<br>Business Centre(s):                | [●]                              |
|                           | - Synthetic Currency<br>Valuation Time:               | [●]                              |
|                           | - Reciprocal Rate<br>Rounding:                        | [Applicable]/[Not<br>Applicable] |
|                           | - Number of Reciprocal<br>Rounding Places:            | [●]]                             |
| (vi) Unscheduled Holiday: | [Applicable]/[Not Applicable]                         |                                  |
|                           | [Maximum Days of<br>Unscheduled Holiday Postponement: | [●]]                             |
| Cumulative Events:        | [Applicable]/[Not Applicable]                         |                                  |

[Maximum Days of  
Cumulative Postponement:

[●]]

(vii) Synthetic Currency FX  
Disruption Events:

[Benchmark Obligation Default

Benchmark Obligation: [●]]

[Price Materiality

Primary Rate: [●]

Secondary Rate: [●]

Price Materiality Percentage: [●]]

[Currency Replacement]

[Dual Exchange Rate]

[Governmental Authority Event]

[Illiquidity]

[Inconvertibility]

[Non-Transferability]

[Price Source Disruption]

14 Put/Call Options:

[Put Option]

[Call Option]

[(further particulars specified below)]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15 **Fixed Rate Note Provisions**

[Applicable/Not Applicable]

(i) Rate[(s)] of Interest:

[●] per cent. per annum [payable [annually/semi  
annually/ quarterly/ monthly] in arrear]

(ii) Interest Payment Date(s):

[●] in each year [from and including [●]][until and  
excluding [●]]

[Provided that if any Interest Payment Date falls on a  
day which is not a Business Day, the Interest  
Payment Date will be the next succeeding Business  
Day unless it would thereby fall in the next calendar  
month in which event the Interest Payment Date  
shall be brought forward to the immediately  
preceding Business Day.

For these purposes, “**Business Day**” means a day on  
which commercial banks and foreign exchange  
markets settle payment and are open for general  
business (including dealing in foreign exchange and  
currency deposits) in Hong Kong.]



|    |  |  |
|----|--|--|
|    | (iii) Fixed Coupon Amount[(s)]:  | [[●] per Calculation Amount/Not Applicable]<br>[Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, with CNY0.005 being rounded upwards.]   |
|    | (iv) Broken Amount(s):   | [[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]/Not Applicable]  |
|    | (v) Day Count Fraction:  | [Actual/365]<br>[Actual/365 (fixed)]<br>[Actual/360]<br>[30/360]<br>[30E/360]<br>[30E/360 (ISDA)]<br>[Actual/Actual ICMA]  |
|    | (vi) Determination Dates:  | [[●] in each year/Not Applicable]  |
|    | (vii) [Business Day Convention:  | [Applicable - Modified Following Business Day Convention/Not Applicable]   |
|    | (viii) Calculation Agent:  | [●]  |
| 16 | <b>Floating Rate Note Provisions</b>   | [Applicable/Not Applicable]  |
|    | (i) Interest Period(s):  | [●]  |
|    | (ii) Specified Interest Payment Dates:   | [●][from and including [●]][until and excluding [●]]   |
|    | (iii) Business Day Convention:   | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention[●]]   |
|    | (iv) Business Centre(s):   | [●]  |
|    | (v) Manner in which the Rate(s) of Interest is/are to be determined:   | [Screen Rate Determination/ISDA Determination]   |
|    | (vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing and Paying Agent): | [●]  |
|    | (vii) Screen Rate Determination:   | <div data-bbox="347 1601 638 1637">– Reference Rate:</div> <div data-bbox="794 1601 1013 1637">[LIBOR/EURIBOR]</div> <div data-bbox="347 1648 710 1718">– Interest Determination Date(s):</div> <div data-bbox="794 1648 1366 1751">[●] [TARGET/[●]] Business Days [in [●]] prior to the [●] day in each Interest Accrual Period/each Interest Payment Date</div> <div data-bbox="347 1774 710 1809">– Relevant Screen Page:</div> <div data-bbox="794 1774 821 1809">[●]</div> <div data-bbox="347 1821 630 1856">– Relevant Time:</div> <div data-bbox="794 1821 821 1856">[●]</div> |
|    | (viii) ISDA Determination:   | <div data-bbox="347 1912 702 1948">– Floating Rate Option:</div> <div data-bbox="794 1912 821 1948">[●]</div>  |

|  |   |   |
|--|---|---|
|  | – Designated Maturity:                                      | [●]   |
|  | – Reset Date:   | [●]   |
|  | (ix) Linear Interpolation:                                  | [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation] |
|  | (x) Margin(s):  | [+/-] [●] per cent. per annum   |
|  | (xi) Minimum Rate of Interest:                              | [●] per cent. per annum   |
|  | (xii) Maximum Rate of Interest:                             | [●] per cent. per annum   |
|  | (xiii) Day Count Fraction:                                  | [Actual/365]<br>[Actual/365 (fixed)]<br>[Actual/360]<br>[30/360]<br>[30E/360]<br>[30E/360 (ISDA)]<br>[Actual/Actual ICMA]                           |
| 17                                       | <b>Zero Coupon Note Provisions</b>                          | [Applicable/Not Applicable]   |
|  | (i) Amortisation Yield:                                     | [●] per cent. per annum   |
|  | (ii) Amortisation Yield compounding basis:                  | [Compounded/Non-compounded]<br>[annually/semi-annually/other]   |
|  | (iii) Reference Price:                                      | [●]   |
|  | (iv) Any other formula/basis of determining amount payable: | [●]   |
| <b>PROVISIONS RELATING TO REDEMPTION</b> |   |   |
| 18                                       | <b>Call Option</b>  | [Applicable/Not Applicable]   |
|  | (i) Optional Redemption Date(s):                            | [●]   |
|  | (ii) Optional Redemption Amount(s):                         | [[●] per Calculation Amount/Early Redemption Amount]  |
|  | (iii) If redeemable in part:                                |   |
|  | (a) Minimum Redemption Amount:                              | [●]   |
|  | (b) Maximum Redemption Amount:                              | [●]   |
|  | (iv) Notice period:   | [●]/[Not less than five nor more than [●] days]   |
| 19                                       | <b>Put Option</b>   | [Applicable/Not Applicable]   |
|  | (i) Optional Redemption Date(s):                            | [●]   |
|  | (ii) Optional Redemption Amount(s):                         | [[●] per Calculation Amount/Early Redemption Amount]  |
|  | (iii) Notice period:  | [●]   |
| 20                                       | <b>Final Redemption Amount</b>                              | [●] per Calculation Amount  |
| 21                                       | <b>Early Redemption Amount</b>                              |   |

|  |                            |
|--|----------------------------|
| Early Redemption Amount(s)<br>payable on redemption for taxation<br>reasons or on event of default or<br>other early redemption: | [●] per Calculation Amount |
|--|----------------------------|

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

|    |   |   |
|----|---|---|
| 22 | <b>Form of Notes:</b>   | <p><b>Bearer Notes:</b></p> <p>[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]</p> <p>[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]</p> <p>[Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]</p> <p>[Registered Notes – Global Certificate — [Euroclear/Clearstream Luxembourg]]</p> <p>[CREST Depository Interests (“CDIs”) representing the Notes may also be issued in accordance with the usual procedures of Euroclear UK &amp; Ireland Limited (“CREST”).]</p> <p><b>Registered Notes:</b></p> <p>[Registered Global Note registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg]/[a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))]</p> |
| 23 | New Global Note:  | [Yes]/[No]  |
| 24 | Additional Financial Centre(s) or other special provisions relating to payment dates:                 | [Not Applicable/[●]]  |
| 25 | Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): | [Yes. As the Notes have more than 27 coupon payments, [a] Talon[s] may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]  |

## DISTRIBUTION

|    |                              |                             |
|----|------------------------------|-----------------------------|
| 26 | Method of distribution:      | [Syndicated/Non-syndicated] |
|    | (a) If syndicated, names and | [Not Applicable/[●]]        |

|    |  |   |
|----|--|---|
|    | addresses of relevant Dealers and underwriting commitments:  |   |
|    | (b) If non-syndicated, name and address of Dealer:   | [Not Applicable/[●]]  |
| 27 | Date of [Subscription] Agreement:  | [●]   |
| 28 | Indication of overall amount of the commission:  | [●] per cent. of the Aggregate Nominal Amount   |
| 29 | U.S. Selling Restrictions:   | [Reg S Category 2; TEFRA C/TEFRA D/TEFRA not applicable]  |
| 30 | Public Offer and basis of consent for use of the Prospectus:   |   |
|    | (a) Public Offer:  | [Not Applicable] [An offer of the Notes may be made by [[●] and [●] (the “ <b>Initial Authorised Offerors</b> ”))] [and] [any other Authorised Offerors in accordance with paragraph 31(xii) below] [and] [any other financial intermediary for the time being complying with (x) the Authorised Offeror Terms (y) the other conditions attaching to the consent set out in the Prospectus [and (z) [●]]] where there is an offer to the public (a “ <b>Public Offer</b> ”) in [Austria,] [Belgium,] [Denmark,] [France,] [Germany,] [Gibraltar,] [Ireland,] [Italy,] [Luxembourg,] [Malta,] [the Netherlands,] [Portugal,] [Spain] [and/or] [the United Kingdom] (the “ <b>Public Offer Jurisdiction[s]</b> ”) during the period from [●] until [●][a.m./p.m.] on [●] (the “ <b>Offer Period</b> ”). See further paragraph 31(xii) below.] |
|    | (b) Basis of Consent:  | [Specific Consent / [and] General Consent]  |
| 31 | <b>[TERMS AND CONDITIONS OF THE OFFER]</b>   |   |
|    | (i) Offer Price:   | [Issue Price/Not Applicable/[●]]  |
|    | (ii) Conditions to which the offer is subject:   | [Not Applicable/[●]]  |
|    | (iii) Description of the application process:  | [Not Applicable/[●]]  |
|    | (iv) Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: | [Not Applicable/[●]]  |
|    | (v) Details of the minimum and/or maximum amount of application:   | [Not Applicable/[●]]  |

|   |   |
|---|---|
| (vi) Details of the method and time limits for paying up and delivering the Notes:  | [Not Applicable/[●]]  |
| (vii) Manner in and date on which results of the offer are to be made public:   | [Not Applicable/[●]]  |
| (viii) Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: | [Not Applicable/[●]]  |
| (ix) Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:        | [Not Applicable/[●]]  |
| (x) Amount of any expenses and taxes specifically charged to the subscriber or purchaser:   | [Not Applicable/[●]]  |
| (xi) Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place:               | <p>[The Initial Authorised Offerors identified in paragraph 30(a)) above [and any additional financial intermediaries who have or obtain the Issuer's consent to use the Prospectus in connection with the Public Offer and who are identified on the website of the Issuer at [www.lloydsbankinggroup.com] as being Authorised Offerors (together the "<b>Authorised Offerors</b>")][As of the date of these Final Terms, the persons listed below are the persons known to the Issuer who intend to offer the distribute Notes to the public in [relevant Member State(s)] in accordance with all prevailing regulatory requirements during the Offer Period: [●] (together the "<b>Authorised Offerors</b>")</p> <p>[The Issuer has granted consent to the use of the Prospectus and these Final Terms by the persons listed above and other relevant stockbrokers and financial intermediaries in [relevant Member State(s)] during the Offer Period on the basis of and so long as, in either case, they comply with the Authorised Offeror terms, the other conditions to the consent set out in the Prospectus [and the other conditions set out under paragraph 31(ii) above].]</p> |
| (xii) Name and address of the entities  | [●] will be appointed as registered market maker[s]   |

which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment:

[through London Stock Exchange's order book for retail bonds when the Notes are issued.]]

Signed on behalf of the Issuer:

By: [●]  
Duly authorised

## **PART B – OTHER INFORMATION**

### **1 LISTING**

- (i) Listing: London
- (ii) Admission to trading: Application [has been made/is expected to be made] for the Notes to be admitted to trading on [The London Stock Exchange's Regulated Market [and through its order book for retail bonds]] with effect from [●].
- (iii) Estimate of total expenses related to admission to trading: [●]

### **2 RATINGS**

- Ratings: [The Notes to be issued have not been rated.]
- [The Notes to be issued [have been rated/are expected to be rated]:
- [S & P: [●]]
- [Moody's: [●]]
- [Fitch: [●]]]

### **3 REASONS FOR THE OFFER, USE OF PROCEEDS, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

- Reasons for the offer: [●]
- Use of proceeds: [●]
- Estimated net proceeds: [●]
- Estimated total expenses: [●]

### **4 [NOTIFICATION]**

The [UK Listing Authority/[●]] [has been requested to provide/has provided] the [●] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

### **5 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE]**

Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the issue.”]

### **6 [Fixed Rate Notes only — YIELD]**

- Indication of yield: [●]

### **7 [Floating Rate Notes only — HISTORIC INTEREST RATES]**

Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters].]

### **8 OPERATIONAL INFORMATION**

- ISIN Code: [●]
- Common Code: [●]
- Any clearing system(s) other than [Not Applicable/[●]].
- Euroclear Bank S.A./N.V. and Clearstream [The Notes will [also] be made eligible for CREST

Banking, *société anonyme* and the relevant identification number(s): via the issue of CDIs representing the Notes.]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [●]/[Not Applicable]

Name and address of Calculation Agent: [●]/[Not Applicable]



## SUMMARY OF THE ISSUE

[•]

## GENERAL INFORMATION

- 1 Application has been made to the UK Listing Authority for the Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Notes to be admitted to trading on its regulated market which is a regulated market for the purpose of MiFID. It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the regulated market will be admitted separately as and when issued upon submission to the UK Listing Authority and to the London Stock Exchange of the relevant Final Terms and any other information required by the UK Listing Authority or any other relevant authority, subject only to the issue of a temporary or permanent Global Note (or one or more Certificates) in respect of each Tranche. The listing of the Programme in respect of the Notes is expected to be granted on or about 10 April 2015. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules.
- 2 The Issuers have obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the establishment and update of the Programme and the issue and performance of the Notes. The establishment of the Programme and the issue of Notes under it was authorised by (i) resolutions of the Board of Directors of the Bank passed on 25 September 2014 and (ii) resolutions of the Board of the Directors of the Company dated 26 February 2015.
- 3 There has been no significant change in the financial position of the Lloyds Bank Group since 31 December 2014, the date to which the Lloyds Bank Group’s last published audited financial information (as set out in the Bank’s 2014 Annual Report) was prepared. There has been no material adverse change in the prospects of the Bank since 31 December 2014, the date to which the Bank’s last published audited financial information (as set out in the Bank’s 2014 Annual Report) was prepared.
- 4 There has been no significant change in the financial position of the Group since 31 December 2014, the date to which the Group’s last published audited financial information (as set out in the Company’s 2014 Annual Report) was prepared. There has been no material adverse change in the prospects of the Company since 31 December 2014, the date to which the Company’s last published audited financial information (as set out in the Company’s 2014 Annual Report) was prepared.
- 5 Save as disclosed in the sub-sections entitled “*Interchange fees*”, “*Payment Protection Insurance*”, “*Proactive mailings resulting from past business reviews*”, “*Investigation and litigation relating to interbank offered rates, and other references rates*”, “*Litigation in relation to insurance branch business in Germany*”, “*Interest rate hedging products*”, “*Provisions for other legal actions and regulatory matters*”, “*UK shareholder litigation*”, “*Financial Services Compensation Scheme*”, “*Investigation into Bank of Scotland and report on HBOS*”, “*U.S.-Swiss tax programme*”, “*Tax authorities*” and “*Residential mortgage reposessions*” of the section “*Lloyds Banking Group and Lloyds Bank – Legal Actions and Regulatory Matters*” on pages 151 to 157 of this Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which the Bank is aware) during the 12 months preceding the date of this Prospectus, which may have or have had in the recent past, significant effects on the financial position or profitability of the Bank or Lloyds Bank Group.
- 6 Save as disclosed in the sub-sections entitled “*Interchange fees*”, “*Payment Protection Insurance*”, “*Proactive mailings resulting from past business reviews*”, “*Investigation and litigation relating to interbank offered rates, and other references rates*”, “*Litigation in relation to insurance branch business in Germany*”, “*Interest rate hedging products*”, “*Provisions for other legal actions and regulatory matters*”, “*UK shareholder litigation*”, “*Financial Services Compensation Scheme*”, “*Investigation into*

*Bank of Scotland and report on HBOS*", "U.S.-Swiss tax programme", "Tax authorities" and "Residential mortgage repossessions" of the section "Lloyds Banking Group and Lloyds Bank – Legal Actions and Regulatory Matters" on pages 151 to 157 of this Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which the Company is aware) during the 12 months preceding the date of this Prospectus, which may have or have had in the recent past, significant effects on the financial position or profitability of the Company or Lloyds Banking Group.

- 7 Each permanent and definitive Bearer Note having a maturity of more than one year, Coupon and Talon will bear the following legend:  
  
"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".
- 8 Notes have been accepted for clearing through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). Interests in the Notes may also be held through CREST through the issuance of CDIs representing Underlying Notes. The Common Code and the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg and the address of CREST is Euroclear UK & Ireland, 33 Cannon Street, London, EC4M 5SB. The address of any alternative clearing system will be specified in the applicable Final Terms.
- 9 Where information in this Prospectus has been sourced from third parties this information has been accurately reproduced and as far as the Issuers are aware and are able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.
- 10 For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the offices of Lloyds Bank plc, 25 Gresham Street, London EC2V 7HN and Lloyds Banking Group plc, The Mound, Edinburgh, EH1 1YZ:
  - 10.1 the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons and the Talons);
  - 10.2 the Agency Agreement;
  - 10.3 the Articles of Association of the Bank;
  - 10.4 the Bank's 2014 Annual Report and the Bank's 2013 Annual Report;
  - 10.5 the Articles of Association of the Company;
  - 10.6 the Company's 2014 Annual Report and the Company's 2013 Annual Report;
  - 10.7 each Final Terms; and
  - 10.8 a copy of this Prospectus together with any Supplemental Prospectus or drawdown prospectus.
- 11 Unless otherwise stated in the applicable Final Terms, the relevant Issuer does not intend to provide post-issuance information in connection with any issue of Notes.

- 12** This Prospectus and the Final Terms for Notes that are listed on the Official List and admitted to trading on the Market will be published on the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com](http://www.londonstockexchange.com).
- 13** Copies of the latest audited consolidated Report and Accounts of the Issuers and copies of the Trust Deed will be available for inspection at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.
- 14** PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors (members of the Institute of Chartered Accountants in England and Wales) have audited, and rendered unqualified audit reports on, the annual consolidated published accounts of each of the Bank and the Company for the two financial years ended 31 December 2013 and 31 December 2014.

**REGISTERED OFFICE OF THE BANK**

25 Gresham Street  
London EC2V 7HN  
Tel: +44 20 7050 6060

**REGISTERED OFFICE OF THE COMPANY**

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Tel: +44 20 7050 6060

**TRUSTEE**

**The Law Debenture Trust Corporation p.l.c.**

Fifth Floor  
100 Wood Street  
London EC2V 7EX

**ISSUING AND PAYING AGENT, CALCULATION AGENT, REGISTRAR AND TRANSFER AGENT**

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Canary Wharf  
London E14 5LB

**PAYING AGENT AND TRANSFER AGENT**

**Citigroup Global Markets Deutschland AG**

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Germany

**DEALERS**

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London EC1A 1HQ

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Australia

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**CIBC World Markets plc**

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Federal Republic of Germany

**J.P. Morgan Securities plc**

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**Lloyds Bank plc**

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London EC2V 7AE

**National Australia Bank Limited**

(ABN 12 004 044 937)  
Level 2, 88 Wood Street  
London EC2V 7QQ

**The Toronto-Dominion Bank**

60 Threadneedle Street  
London EC2R 8AP

**Westpac Banking Corporation**

(ABN 33 007 457 141)

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23 Camomile Street  
London EC3A 7LL

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*To the Bank and the Company*

*as to English law*

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*To the Dealers and the Trustee*

*as to English law*

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*To the Bank and the Company*

*as to Scots law*

**CMS Cameron McKenna LLP**

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Scotland