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NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NEW SECURITIES (AS DEFINED IN THE ATTACHED EXCHANGE OFFER MEMORANDUM) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE NEW SECURITIES MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT).

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THE EXCHANGE OFFER IS NOT BEING MADE IN THE REPUBLIC OF ITALY. THE EXCHANGE OFFER AND THE ATTACHED EXCHANGE OFFER MEMORANDUM HAVE NOT BEEN SUBMITTED TO THE CLEARANCE PROCEDURES OF THE COMMISSIONE NAZIONALE PER LE SOCIETÀ E LA BORSA ("CONSOB") PURSUANT TO ITALIAN LAWS AND REGULATIONS.

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You are reminded that the attached Exchange Offer Memorandum has been delivered to you on the basis that you are a person into whose possession the Exchange Offer Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver the Exchange Offer Memorandum to any other person.

Any materials relating to the Exchange Offer do not constitute, and may not be used in connection with, any form of offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the Exchange Offer be made by a licensed broker or dealer and any of the Dealer Managers or any of their respective affiliates is such a licensed broker or dealer in that jurisdiction, the Exchange Offer shall be deemed to be made by such Dealer Manager or affiliate (as the case may be) on behalf of LBG Capital No.1 plc in such jurisdiction.

The Exchange Offer Memorandum may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply.

Restrictions: The Exchange Offer and the Exchange Offer Memorandum are, respectively, subject to offer and distribution restrictions. The Exchange Offer Memorandum does not constitute an invitation to participate in the Exchange Offer in any jurisdiction in which, or to any person to whom, the making of such invitation would not be in compliance with the laws or regulations of such jurisdiction.

The Exchange Offer Memorandum does not constitute a disclosure document, prospectus or product disclosure statement within the meaning of the Australian Securities and Investments Commission.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

This document does not constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue, or any solicitation of any offer to sell, otherwise dispose of, issue, purchase, otherwise acquire or subscribe for, any security, in any jurisdiction in which such an offer, an invitation or a solicitation is unlawful.

Not for distribution to any U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended) or in or into the United States or to any person located or resident in the Republic of Italy.

A copy of this document, which comprises a prospectus relating to the New Securities prepared in accordance with the Prospectus Rules made under section 73A of the FSMA, has been filed with the FSA and has been made available to the public as required by section 3.2 of the Prospectus Rules. LBG Capital No.1 has requested that the FSA provides a certificate of approval and a copy of this document (and translated summary, where applicable) to the relevant competent authorities in Austria, Cyprus, Denmark, France, Germany, Greece, Republic of Ireland, Luxembourg, Malta, Norway, Portugal, Spain, Sweden and The Netherlands.

Applications will be made to the FSA for the New Securities to be admitted to the Official List, and will be made to the London Stock Exchange for the New Securities to be admitted to trading on the London Stock Exchange's Regulated Market for listed securities. It is expected that admission will become effective, and that dealings in the ECNs on the London Stock Exchange will commence at 8.00 a.m. on 1 December 2009 and that dealings in the New Shares and any Additional ECNs on the London Stock Exchange will commence at 8.00 a.m. on or around 18 February 2010. Lloyds Banking Group, Lloyds TSB Bank, LBG Capital No.1, LBG Capital No.2 and the Directors of Lloyds Banking Group, whose names appear in Part XX ("Directors, Corporate Governance and Employees") of this document, accept responsibility for the information contained in this document. To the best of the knowledge of Lloyds Banking Group, Lloyds TSB Bank, LBG Capital No.1, LBG Capital No.2 and the Directors (who have taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and this document does not omit anything likely to affect the import of such information.

Certain information in relation to the Group has been incorporated by reference into this document, as set out in Part XXIII ("Documentation Incorporated by Reference") of this document.

Questions and requests for assistance in connection with (i) the Exchange Offer may be directed to the Dealer Managers and (ii) the delivery of Exchange Instructions may be directed to the Exchange Agent, the contact details for which are on the last page of this Exchange Offer Memorandum.

You should read the whole of this document and the documents incorporated herein by reference. In particular, your attention is drawn to the risk factors set out in Part II ("Risk Factors") of this document, which you should read in full.



**Invitation by LBG Capital No.1 plc
to Offer to Exchange the Existing Securities
for
Enhanced Capital Notes
issued by LBG Capital No.1 plc or LBG Capital No.2 plc
unconditionally and irrevocably guaranteed by
Lloyds Banking Group plc or Lloyds TSB Bank plc
or
the relevant Exchange Consideration Amount
payable in New Shares and/or cash and/or Additional Enhanced Capital Notes**

Joint Global Co-ordinators, Joint Sponsors and Lead Dealer Managers

BofA Merrill Lynch

UBS Investment Bank

Joint Structuring Advisers

BofA Merrill Lynch

Lloyds Banking Group

UBS Investment Bank

Dealer Managers

**Citi
Goldman Sachs
International**

HSBC

J.P. Morgan Cazenove

LBG Capital No.1 invites all Holders (subject to certain offer restrictions set out in Part VI ("The Exchange Offer – Offer Restrictions") of this Exchange Offer Memorandum), to Offer to Exchange any or all of their Existing Securities that are outstanding, upon the terms and subject to the conditions set out in this Exchange Offer Memorandum. Holders of the Existing Securities are invited to Offer to Exchange such securities for (i) ECNs or (ii) the relevant Exchange Consideration Amount as specified in Part III ("Summary Offering Table and Exchange Options Overview") of this Exchange Offer Memorandum, to be delivered in the form of New Shares or cash or, in certain limited circumstances described herein, Additional ECNs. Holders should submit an Offer to Exchange their Existing Securities specifying the relevant Exchange Option in accordance with which they wish to participate in the Exchange Offer, as further described herein.

THE EXCHANGE OFFER WILL COMMENCE ON 3 NOVEMBER 2009 AND WILL EXPIRE AT 4.00 P.M., LONDON TIME, ON 20 NOVEMBER 2009, UNLESS THE EXCHANGE OFFER PERIOD IS EXTENDED OR CLOSED EARLIER BY LBG CAPITAL NO.1 AS DESCRIBED HEREIN. THE EXCHANGE OFFER IS CONDITIONAL ON THE EXCHANGE OFFER CONDITIONS, AS FURTHER DESCRIBED HEREIN.

Upon expiration of the Exchange Offer Period, the relevant ECN Issuer or Lloyds Banking Group (as the case may be) may (but has no obligation to Holders to) accept Offers to Exchange, in which case such Offers to Exchange will be accepted in accordance with the ECA Priority (as set out in Appendix 1 ("ECA Priority") to this Exchange Offer Memorandum) when accepting Offers to Exchange for the relevant Exchange Consideration Amount, and in accordance with the ECN Priority (as set out in Appendix 2 ("ECN Priority") to this Exchange Offer Memorandum) when accepting Offers to Exchange into ECNs, in each case in accordance with the operation of the Exchange Priorities described in Appendix 3 ("Interaction of Exchange Options and Exchange Priorities") of this Exchange Offer Memorandum.

The relevant ECN Issuer or Lloyds Banking Group (as the case may be) will accept Offers to Exchange in accordance with the relevant Exchange Priority as set out above until either (i) in the case of each Exchange Priority it has accepted all of the Existing Securities validly offered and eligible for exchange; (ii) in the case of the ECN Priority, the aggregate principal amount of all series of ECNs to be issued in exchange for Existing Securities is the maximum such amount that can be issued without exceeding the Maximum ECN New Issue Amount; or (iii) in the case of the ECA Priority, the aggregate value of Exchange Consideration to be issued and/or paid in exchange for Existing Securities is the maximum such amount that can be issued and/or paid without exceeding the Maximum Exchange Consideration Amount, all in accordance with the operation of the Exchange Priorities described in Appendix 3. Where the acceptance in accordance with the relevant Exchange Priority of all valid Offers to Exchange of a series or class of

Existing Securities would require a greater aggregate amount of the relevant series or class of New Securities to be issued, or cash to be paid, than the Maximum ECN New Issue Amount or the Maximum Exchange Consideration Amount, as the case may be, in the case of that particular series or class of Existing Securities only the relevant ECN Issuer or Lloyds Banking Group (as the case may be) will accept such Offers to Exchange on a *pro rata* basis, as described herein, and the ECN Issuers or Lloyds Banking Group (as the case may be) will not accept any Offers to Exchange in respect of any series or class of Existing Securities ranking after such series or class in accordance with the relevant Exchange Priority.

On the Results Announcement Date, Lloyds Banking Group, acting on behalf of itself and the ECN Issuers, intends to announce (i) whether valid Offers to Exchange pursuant to the Exchange Offer are accepted; (ii) the aggregate principal amount/liquidation preference of each series or class of Existing Securities that each ECN Issuer or Lloyds Banking Group (as the case may be) will be accepting for exchange; (iii) where Holders have Offered to Exchange Existing Securities pursuant to Exchange Options 3 or 4, whether the relevant Holders will receive ECNs or the relevant Exchange Consideration Amount (or both); (iv) whether Offers to Exchange for each series or class of Existing Securities are to be accepted in full (if at all) or on a *pro rata* basis and, where accepted on a *pro rata* basis, the extent to which such Offers to Exchange will be scaled; (v) each New Issue Amount; (vi) the Early Settlement Date; and (vii) the Late Settlement Date.

Holders whose Offers to Exchange their Existing Securities have been accepted pursuant to the ECN Priority will receive ECNs of the relevant series specified in Part III ("Summary Offering Table and Exchange Options Overview") of this Exchange Offer Memorandum, in an aggregate principal amount equal to the aggregate principal amount/liquidation preference of the corresponding series of Existing Securities which has been accepted for exchange. Such ECNs will be issued on the Early Settlement Date, expected to be on or around 1 December 2009.

Holders whose Offers to Exchange their Existing Securities have been accepted pursuant to the ECA Priority will, subject as provided in the following paragraph, receive either (i) such number of New Shares per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as applicable) in principal amount/liquidation preference of Existing Securities which are accepted for exchange, equal to the relevant Exchange Consideration Amount divided by the product of the New Shares Price and the relevant FX Rate (if applicable); or (ii) an amount in cash (in the same currency as the relevant series or class of Existing Securities) equal to the relevant Exchange Consideration Amount per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as applicable) in principal amount/liquidation preference of Existing Securities which are accepted for exchange; or (iii) a combination thereof. The relevant Exchange Consideration will be issued or settled in cash, as the case may be, approximately 90 days after the Expiration Deadline on the Late Settlement Date, expected to be on or around 18 February 2010.

If, having determined the New Shares Price, the number of New Shares to be issued by Lloyds Banking Group in satisfaction of the aggregate Exchange Consideration Amount would exceed the Maximum Approved Amount, Holders whose Offers to Exchange have been accepted pursuant to the ECA Priority will first be allocated (according to their ranking in the ECA Priority) New Shares and/or cash until all New Shares comprising the Maximum Approved Amount have been issued and/or delivered, and thereafter Additional ECNs in an aggregate principal amount equal to the aggregate principal amount/liquidation preference of the corresponding series of Existing Securities to be exchanged therefor.

Each Holder will also be entitled to receive any Accrued Interest Payment or Accrued Dividends Payment (as the case may be) in respect of their Existing Securities so accepted for exchange, which amounts will be paid in cash on the Early Settlement Date (in respect of Existing Securities accepted pursuant to the ECN Priority) or on the Late Settlement Date (in respect of Existing Securities accepted pursuant to the ECA Priority).

Holders of Holdco Existing Securities who Offer to Exchange such Existing Securities for ECNs will, if their Offer to Exchange is accepted, receive ECNs issued by LBG Capital No.1 and guaranteed by Lloyds Banking Group. Holders of Opco Existing Securities who Offer to Exchange such Existing Securities for ECNs will, if their Offer to Exchange is accepted, receive ECNs issued by LBG Capital No.2 and guaranteed by Lloyds TSB Bank. Any New Shares issued in connection with the Exchange Offer will be issued by Lloyds Banking Group on the basis described above.

On 12 February 2010, Lloyds Banking Group will, on behalf of itself and the ECN Issuers, announce the following: (i) the New Shares Price; (ii) each FX Rate; (iii) whether Holders who will receive the relevant Exchange Consideration Amount will receive the relevant Exchange Consideration in the form of New Shares, cash and/or, in the applicable limited circumstances, Additional ECNs; and (iv) the number of New Shares that will be received by Holders per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as applicable) in principal amount/liquidation preference of the relevant Existing Securities, which Existing Securities have been accepted for Exchange into New Shares.

Notwithstanding any other provision of this Exchange Offer Memorandum, neither ECN Issuer nor Lloyds Banking Group (as the case may be) has any obligation to Holders to accept any or all Offers to Exchange and each of them may decide not to accept Offers to Exchange for any reason. Moreover, neither of the ECN Issuers nor Lloyds Banking Group will accept any Offer to Exchange from Holders of Existing Securities unless (i) all resolution(s) as may be necessary to approve, effect and implement the Exchange Offer and authorise and permit the creation and allotment of New Securities are passed at the Lloyds Banking Group General Meeting (or any adjournment thereof) and (ii) in the case of Non-Clearing System Existing Securities only, such Offer to Exchange relates to a principal amount/liquidation preference of such Existing Securities equal to or greater than the Minimum Existing Holding.

LBG Capital No.1 may, with the prior consent of the Dealer Managers (such consent not to be unreasonably withheld or delayed), extend, re-open, amend, waive any condition of or terminate the Exchange Offer at any time (subject to applicable law and as provided in this Exchange Offer Memorandum). Details of any such extension, re-opening, amendment, waiver (if permitted) or termination will be announced wherever applicable as provided in this Exchange Offer Memorandum as soon as reasonably practicable after the relevant decision is made.

Investors should only rely on the information contained in this document and the documents incorporated herein by reference. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised. Subject to the Prospectus Rules, the Listing Rules and the Disclosure and Transparency Rules, neither the publication of this document nor any acquisition of any security made under it shall, in any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this document or that the information in it and incorporated by reference herein is correct as of any subsequent date. LBG Capital No.1 will comply with its obligation to publish a supplementary prospectus containing further updated information required by law or by any regulatory authority but assumes no further obligation to publish additional information.

The Exchange Offer is not being made, and will not be made, directly or indirectly, in or into, or by use of the mail of, or by any means or instrumentality of interstate or foreign commerce of, or of any facilities of a national securities exchange of, the United States as defined in Regulation S under the United States Securities Act of 1933, as amended (the "Securities Act") or to, or for the account or benefit of, U.S. persons. This includes, but is not limited to, facsimile transmission, electronic mail, telex, telephone and the internet. Accordingly, copies of this Exchange Offer Memorandum and any other documents or materials relating to the Exchange Offer are not being, and must not be, directly or indirectly, mailed or otherwise transmitted or distributed in or into the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act). Any purported offers to exchange Existing Securities pursuant to the Exchange Offer resulting directly or indirectly from a violation of these restrictions will be invalid and offers to exchange made by a resident of the United States or from U.S. persons or any agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal giving instructions from within the United States or for U.S. persons will not be accepted.

The securities mentioned herein may not be offered, sold, resold, transferred or delivered, directly or indirectly, in any Restricted Jurisdiction absent registration or an applicable exemption from the registration requirements of the relevant laws of any Restricted Jurisdiction. There will be no public offer of such securities in any Restricted Jurisdiction.

BofA Merrill Lynch and UBS, which are authorised and regulated in the United Kingdom by the Financial Services Authority, are acting severally and exclusively for Lloyds Banking Group and for no one else as Lead Dealer Managers in relation to the Exchange Offer and as Joint Sponsors in relation to the listing of the New Shares on the Official List and their admission to trading on the London Stock Exchange's Regulated Market for listed securities, and will not be responsible to any other person for providing the protections afforded to clients of BofA Merrill Lynch or UBS, respectively, nor for providing advice in connection with the Exchange Offer, proposed listing or admission to trading or contents of this document or any other matters referred to in this document, other than to the extent required by law or appropriate regulation in the UK.

Apart from the responsibilities and liabilities, if any, which may be imposed on any of the Dealer Managers by the FSMA or the regulatory regime established thereunder, none of the Dealer Managers and Lucid Issuer Services Limited (the "Exchange Agent") accepts any responsibility whatsoever for the contents of this document and/or the information incorporated herein by reference, including in relation to the accuracy, completeness and/or verification thereof, and/or for any other statement made or purported to be made by any of them, or on behalf of any of them, in connection with the Group, the New Securities, the Exchange Offer or any other matter referred to in this document.

Each of the Dealer Managers and the Exchange Agent accordingly disclaims all and any liability whatsoever arising in tort, contract or otherwise (save as referred to above) which any of them might otherwise have in respect of this document or any such statement.

Each Holder is solely responsible for making its own independent appraisal of all matters (including those relating to the Exchange Offer, the Existing Securities, the New Securities, the ECN Issuers, Lloyds Banking Group and Lloyds TSB Bank) as such Holder deems appropriate, and each Holder must make its own decision as to whether to Offer to Exchange Existing Securities and, if so, the aggregate principal amount/liquidation preference of Existing Securities to Offer to Exchange. The Exchange Agent is an agent of the ECN Issuers and Lloyds Banking Group and owes no duty to any Holder. None of the Dealer Managers or the Exchange Agent (or their respective directors, employees or affiliates) makes any representation or recommendation whatsoever regarding this Exchange Offer Memorandum or the Exchange Offer, or any recommendation as to whether Holders of Existing Securities should participate in the Exchange Offer.

None of the trustees of any series of the Existing Securities or Saphir Finance has reviewed or approved this Exchange Offer Memorandum or the terms of the Exchange Offer.

Holders may contact the Dealer Managers or the Exchange Agent for assistance in answering questions concerning the terms of the Exchange Offer at the respective addresses set out on the back cover page of this Exchange Offer Memorandum. Questions relating to the procedures for exchange, including the blocking of Existing Securities (or making equivalent escrow arrangements, where applicable) with CREST, Euroclear or Clearstream, Luxembourg, should be addressed exclusively to the Exchange Agent in the case of procedures relating to Euroclear and Clearstream, Luxembourg, and the relevant Registrar in the case of procedures relating to CREST. All procedures relating to the Exchange Offer may be conducted through, and all information relating to the Exchange Offer and the Existing Securities (including copies of this Exchange Offer Memorandum) may, subject as set out under Part VI ("The Exchange Offer – Offer Restrictions") below, be obtained from, the Exchange Agent, the contact details of which are set out at the end of this Exchange Offer Memorandum.

Unless the context otherwise requires, all references in this Exchange Offer Memorandum to Holders include:

- (a) each Direct Participant in respect of the Existing Securities; and
- (b) each Beneficial Owner of the Existing Securities holding such Existing Securities, directly or indirectly, in an account in the name of a Direct Participant acting on such beneficial owner's behalf,

except that, for the purposes of the exchange of Existing Securities for ECNs or the relevant Exchange Consideration and the payment of the Accrued Interest Payment or Accrued Dividends Payment, to the extent the Beneficial Owner of the relevant Existing Securities is not a Direct Participant, the relevant ECNs, Exchange Consideration, Accrued Interest Payment and/or Accrued Dividends Payment (as applicable) will only be delivered and paid (as applicable) to the relevant Direct Participant and the delivery and payment of such ECNs, the relevant Exchange Consideration, Accrued Interest Payment and/or Accrued Dividends Payment to such Direct Participant will satisfy any obligations of the ECN Issuers, Lloyds Banking Group, the Exchange Agent and the relevant Clearing System in respect of the exchange of such Existing Securities.

Holders will not be able to receive any ECNs, or, in the applicable limited circumstances, Additional ECNs to which they may become entitled pursuant to the Exchange Offer unless they have access to a securities account with Euroclear or Clearstream, Luxembourg. Holders who do not have such access and who wish to participate in the Exchange Offer should contact their broker, financial adviser, dealer, bank, custodian, trust company or other nominee as soon as possible to arrange access to an account at either Euroclear or Clearstream, Luxembourg, or contact the Exchange Agent for further information.

GENERAL NOTICE

The contents of this document and the information incorporated herein by reference should not be construed as legal, financial, accounting or tax advice. This document is for your information only and nothing in this document is intended to endorse or recommend a particular course of action. Each prospective investor should consult their own legal, financial, accounting or tax adviser for advice.

Part IV (“Other Important Information”) of this document contains important information which you should read.

None of The Commissioners of Her Majesty’s Treasury, the Solicitor for the Affairs of Her Majesty’s Treasury, UK Financial Investments Limited, the Asset Protection Agency, or any person controlled by or controlling any such person, or any director, officer, official or employee of any such person (each such person, a “Relevant Person”) accepts any responsibility for the contents of, or makes any representation or warranty as to the accuracy, completeness or fairness of any information in this document. Each Relevant Person expressly disclaims any liability whatsoever for any loss howsoever arising from, or in reliance upon, the whole or any part of the contents of this document (or any supplement or amendment to it). No Relevant Person has authorised or will authorise the contents of this document, or has recommended or endorsed the merits of the offering of securities contemplated herein.

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PART I

SUMMARY

THE FOLLOWING SUMMARY SHOULD BE READ AS AN INTRODUCTION TO THIS EXCHANGE OFFER MEMORANDUM. ANY DECISION TO PARTICIPATE IN THE EXCHANGE OFFER SHOULD BE BASED ON A CONSIDERATION OF THIS EXCHANGE OFFER MEMORANDUM, AND THE DOCUMENTS INCORPORATED BY REFERENCE, AS A WHOLE.

Where a claim relating to information contained in this document is brought before a court, a plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating this document before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this document.

Summary of the Exchange Offer

Exchange Offer

LBG Capital No.1 invites all Holders (subject to certain offer restrictions described herein) to Offer to Exchange their Existing Securities upon the terms and subject to the conditions set out in this Exchange Offer Memorandum, for (i) ECNs or (ii) the relevant Exchange Consideration, to be delivered in the form of New Shares and/or cash and/or, in certain limited circumstances described below, Additional ECNs. Upon expiration of the Exchange Offer Period, Offers to Exchange will, if accepted, be accepted in accordance with the relevant Exchange Priority, subject to the Maximum ECN New Issue Amount or the Maximum Exchange Consideration Amount not being exceeded. The interaction between the Exchange Options and the Exchange Priorities is described further in Appendix 3.

If the number of New Shares to be issued by Lloyds Banking Group in satisfaction of the aggregate Exchange Consideration Amount would exceed the Maximum Approved Amount, Holders whose Offers to Exchange have been accepted pursuant to the ECA Priority will first be allocated (according to their ranking in the ECA Priority) New Shares and/or cash until all New Shares comprising the Maximum Approved Amount have been issued and/or delivered, and thereafter Additional ECNs.

Existing Securities

Certain specified classes of Tier 1 and Upper Tier 2 securities as further set out in Part III ("Summary Offering Table and Exchange Options Overview") of this Exchange Offer Memorandum.

New Securities

Enhanced Capital Notes and New Shares (provided that, at the election of LBG Capital No.1, cash may be paid in lieu of some or all New Securities in the ECA Priority).

Exchange Offer Period

From 3 November 2009 to the Expiration Deadline, unless the Exchange Offer Period is extended or terminated earlier.

Exchange Ratio

Holders whose Offers to Exchange are accepted in exchange for:

- (i) ECNs will receive an aggregate principal amount of ECNs equal to the aggregate principal amount/liquidation preference of the corresponding series of Existing Securities;
- (ii) Exchange Consideration and who receive New Shares, will receive such number of New Shares per £1,000, €1,000, U.S.\$1,000 or ¥1,000 in principal amount/liquidation preference of Existing Securities which are accepted for exchange, equal to the relevant Exchange Consideration Amount divided by the product of the New Shares Price and the relevant FX Rate (if applicable);

- (iii) Exchange Consideration and who receive cash, will receive a cash amount equal to the relevant Exchange Consideration Amount per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as applicable) in principal amount/liquidation preference of Existing Securities which are accepted for exchange, payable in the same currency as the relevant series or class of Existing Securities which has been accepted for exchange; or
- (iv) Exchange Consideration and who receive Additional ECNs will receive an aggregate principal amount of ECNs equal to the aggregate principal amount/liquidation preference of the corresponding series of Existing Securities.

Minimum Existing Holding

Offers to Exchange Non-Clearing System Existing Securities must be made in respect of an aggregate principal amount/liquidation preference of at least £1,000.

Conversion Price

The Conversion Price will be announced on 27 November 2009 and will be equal to the product of (i) the greater of (a) the arithmetic average of the daily per share Volume-Weighted Average Price of Ordinary Shares on the London Stock Exchange for five consecutive trading days commencing on (and including) 11 November 2009 and ending on and including 17 November 2009, and (b) 90 per cent. of the closing price of an Ordinary Share on the London Stock Exchange on 17 November 2009, and (ii) the Rights Issue Factor.

New Shares Price

The New Shares Price will be announced on 12 February 2010 and will be the greater of (i) the arithmetic average of the daily per share Volume-Weighted Average Price of Ordinary Shares on the London Stock Exchange for five consecutive trading days commencing on (and including) 5 February 2010 and ending on and including 11 February 2010 and (ii) 90 per cent. of the closing price of an Ordinary Share on the London Stock Exchange on 11 February 2010.

Accrued Interest and Accrued Dividends

Each Holder will be entitled to receive an Accrued Interest Payment or Accrued Dividends Payment in respect of their Existing Securities which are accepted for exchange.

Results Announcement

On the Results Announcement Date, the Group intends to announce: (i) whether valid Offers to Exchange are accepted; (ii) the aggregate principal amount/liquidation preference of each series or class of Existing Securities that will be accepted for exchange; (iii) where Holders have Offered to Exchange Existing Securities pursuant to Exchange Options 3 or 4, whether such Holders will receive ECNs or the relevant Exchange Consideration Amount (or both); (iv) whether valid Offers to Exchange are to be accepted in full (if at all) or on a *pro rata* basis and the extent of any scaling; (v) each New Issue Amount; (vi) the Early Settlement Date; and (vii) the Late Settlement Date.

Exchange Consideration Announcement

On 12 February 2010 the following will be announced: (i) the New Shares Price; (ii) each FX Rate; (iii) whether Holders receiving the relevant Exchange Consideration Amount will receive it in the form of New Shares, cash or, in the applicable limited circumstances, Additional ECNs (or, in certain limited circumstances, a combination thereof); and (iv) the number of New Shares that will be received per £1,000, €1,000, U.S.\$1,000 or ¥1,000 in principal amount/liquidation preference of the relevant Existing Securities.

Settlement Date	The ECNs (other than Additional ECNs, if any) will be issued and delivered on the Early Settlement Date. The Exchange Consideration will be issued, delivered or paid (as applicable), approximately 90 days following the Expiration Deadline on the Late Settlement Date.
Offer Restrictions	The Exchange Offer is subject to offer restrictions and is not being made to U.S. persons or in the United States or to any person located or resident in the Republic of Italy.
Summary of the Key Features of the New Shares	
Issuer	Lloyds Banking Group.
Form	Ordinary shares in the capital of Lloyds Banking Group to be issued in either certificated form or uncertificated form in CREST.
Status	<i>Pari passu</i> with existing Ordinary Shares.
Summary of the Key Features of the ECNs	
<i>Capitalised terms used in this Summary of the Key Features of the ECNs shall have the same meanings as set out in the ECN Conditions.</i>	
Issuer	Either LBG Capital No.1 or LBG Capital No.2.
Guarantor	Either Lloyds Banking Group or Lloyds TSB Bank.
Maturity Date	As indicated in the relevant Pricing Schedule.
Interest Basis/Interest Payment Dates	As indicated in the relevant Pricing Schedule.
Status of the ECNs	Direct, unsecured and subordinated obligations of the relevant ECN Issuer.
Status of the relevant Guarantee	Irrevocable and unconditional guarantee of due and punctual payment of all sums payable by the relevant ECN Issuer. The obligations of the relevant Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations.
Early Redemption	The ECNs are redeemable before the Maturity Date upon the occurrence of a Tax Event or a Capital Disqualification Event.
Mandatory Conversion	<p>If the Conversion Trigger occurs (prior to the occurrence of a Relevant Event), each ECN will be converted on the Conversion Date into Ordinary Shares at the applicable Conversion Price.</p> <p>The ECNs are not convertible at the option of ECN Securityholders at any time.</p> <p>The “Conversion Trigger” shall occur if at any time, as disclosed in the latest published annual or semi-annual consolidated financial statements of Lloyds Banking Group or as otherwise publicly disclosed by Lloyds Banking Group at any time, Lloyds Banking Group’s Consolidated Core Tier 1 Ratio is less than 5 per cent.</p>
Relevant Event	<p>If the Conversion Trigger occurs at any time after the occurrence of a Qualifying Relevant Event, the ECNs will be convertible into Relevant Shares of the Approved Entity at the relevant Conversion Price.</p> <p>Following the occurrence of a Non-Qualifying Relevant Event (unless the Conversion Trigger has already occurred), outstanding ECNs will not be subject to Conversion at any time, notwithstanding that a Conversion Trigger may occur subsequently.</p>

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

Form

Each series of ECNs will be issued in bearer or registered form.

Denomination

As indicated in the relevant Pricing Schedule.

Additional Amounts

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

Credit Ratings

It is expected that the ECNs guaranteed by Lloyds TSB Bank will be assigned ratings of BB by Standard & Poor’s, Ba2 by Moody’s and BB by Fitch, and that the ECNs guaranteed by Lloyds Banking Group will be assigned ratings of BB- by Standard & Poor’s, Ba3 by Moody’s and BB by Fitch. A rating is not a recommendation to buy, hold or sell securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Current Trading, Trends and Prospects

On 5 August 2009, Lloyds Banking Group announced its interim results for the half year ended 30 June 2009. The Group was able to demonstrate the continued resilience of its core business.

As announced in the Interim Management Statement, the Group has continued to deliver a good revenue performance in the third quarter of 2009, with similar trends, excluding gains on liability management, to those delivered in the first half of the year. The Group’s banking net interest margin has shown clear signs of stabilising in the third quarter of 2009, compared to the first half of the year. The Group continues to deliver a strong cost performance and, in addition, the Board feels that excellent progress has continued to be made on the integration of the enlarged Group, with the achievement of a higher run-rate of cost synergies than those previously announced. The overall run-rate of impairments has slowed in the third quarter of the year. As a result, the Group continues to expect impairments to fall significantly in the second half of 2009, compared to the first half of the year. As previously announced, the Group continues to expect to report a loss before tax for 2009, excluding the impact of the 11.2 billion credit relating to negative goodwill.

The Group has identified approximately £300 billion of assets associated with non-relationship lending and investments, including business which is outside its current risk appetite, which may have been earmarked for GAPS protection. The Group’s approach to managing these assets will be the same whether or not it moves forward with the Proposals or participates in GAPS. It is the Group’s intention to manage such assets for value and run them down over time given the current economic climate. Over the next five years, the Group expects to achieve a reduction in such assets of approximately £200 billion, which equates to approximately 20 per cent. of the Group’s total balance sheet assets as at 30 June 2009. The impact of running down those assets is not expected to have a significant impact on the Group’s income over the five year period.

Selected Financial Information¹

For the year ended 31 December 2008, Lloyds Banking Group had total income, net of insurance claims, of £9.9 billion (compared with £10.7 billion and £11.1 billion, respectively, for the years ended 31 December 2007 and 2006) and profit after tax of £0.8 billion (compared with £3.3 billion and £2.9 billion, respectively, for the years ended 31 December 2007 and 2006).

As at 31 December 2008, Lloyds Banking Group had total assets of £436.0 billion (compared with £353.3 billion and £343.6 billion, respectively, as at 31 December 2007 and 2006) and

¹ This data has been extracted without material adjustment from the 2007 and 2008 audited annual reports of the Company, the 2007 and 2008 audited HBOS annual reports, the unaudited but reviewed Interim Statutory Results and the unaudited but reviewed 2009 interim statutory results for HBOS.

shareholders' equity of £9.4 billion (compared with £12.1 billion and £11.2 billion, respectively, as at 31 December 2007 and 2006).

As at 31 December 2008, Lloyds Banking Group's risk asset ratios were 11.2 per cent. for total capital (compared with 11.0 per cent. as at 31 December 2007), 8.0 per cent. for tier 1 capital (compared with 9.5 per cent. as at 31 December 2007) and 5.6 per cent. for core tier 1 capital (compared with 7.4 per cent. as at 31 December 2007). The risk asset ratios as at 31 December 2008 and 31 December 2007 have been calculated under the Basel II framework.

As at 31 December 2006, the Lloyds Banking Group's risk asset ratios, calculated under the Basel I framework, were 10.7 per cent. for total capital and 8.2 per cent. for tier 1 capital.

For the year ended 31 December 2008, HBOS reported net operating income of £3.6 billion (compared with £21.3 billion and £22.7 billion, respectively, for the years ended 31 December 2007 and 2006) and statutory loss before tax of £10.8 billion (compared with profit before tax of £5.5 billion and £5.7 billion, respectively, for the years ended 31 December 2007 and 2006). As at 31 December 2008, HBOS reported total assets of £704.6 billion (compared with £667.0 billion and £591.8 billion, respectively, as at 31 December 2007 and 2006) and shareholders' equity of £11.5 billion (compared with £21.8 billion and £20.7 billion, respectively, as at 31 December 2007 and 2006).

For the six months ended 30 June 2009, Lloyds Banking Group had total income, net of insurance claims, of £9.8 billion (compared with £4.6 billion for Lloyds Banking Group for the six months ended 30 June 2008 and £5.5 billion for the HBOS Group for the six months ended 30 June 2008) and profit before tax of £6.0 billion (compared with a profit before tax of £0.6 billion for Lloyds Banking Group for the six months ended 30 June 2008 and £0.8 billion for the HBOS Group for the six months ended 30 June 2008).

As at 30 June 2009, Lloyds Banking Group had total assets of £1,063.1 billion (compared with £436.0 billion for Lloyds Banking Group as at 31 December 2008 and £704.6 billion for the HBOS Group as at 31 December 2008) and net assets of £35.0 billion (compared with £9.7 billion for Lloyds Banking Group as at 31 December 2008 and £12.8 billion for the HBOS Group as at 31 December 2008).

As at 30 June 2009, Lloyds Banking Group's risk asset ratios were 10.6 per cent. for total capital (compared with 11.2 per cent. as at 31 December 2008), 8.6 per cent. for tier 1 capital (compared with 8.0 per cent. as at 31 December 2008) and 6.3 per cent. for core tier 1 capital (compared with 5.6 per cent. as at 31 December 2008). The risk asset ratios as at 30 June 2009 and 31 December 2008 have been calculated under the Basel II framework.

Risk Factors

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

Risks relating to the Group

- risks arising from general and sector specific economic conditions in the UK and other markets and further adverse economic developments;
- risks associated with HM Treasury's shareholding;
- risks relating to the aid given by HM Treasury to the Group being subject to state aid review, the outcome of which is uncertain and which may lead to the Group having to repay the aid or the imposition of conditions on the Group that may be significantly adverse to its interests and are expected to prevent the Group from paying dividends on its Ordinary Shares until 31 January 2012;
- risks associated with reform of the structure and regulation of the banking system set out in a White Paper issued by the UK Government in July 2009;
- risks arising from certain undertakings provided to HM Treasury in relation to the operation of the Group's business;
- risks of material negative changes to the estimated fair values of financial assets of the Group;
- risks of failing to realise benefits from, and incurring unanticipated costs associated with, the Acquisition;

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

Risks relating to the Exchange Offer

- differences between the Existing Securities and the New Securities;
- uncertainty as to the credit ratings and trading markets for the Existing Securities not exchanged;
- uncertainty as to coupon suspension and capital calls of certain Existing Securities;
- no obligation to Holders to accept Offers to Exchange;
- responsibility of Holders for complying with the procedures of the Exchange Offer;
- completion, termination and amendment of the Exchange Offer;
- restriction on transfer of Existing Securities;
- the New Shares Price is not determined until after the Expiration Deadline; and
- Lloyds Banking Group may not satisfy the aggregate Exchange Consideration Amount in the form of New Shares or cash and Holders may receive ECNs.

Risks relating to the Proposals

- risk of the Proposals not being approved by the Ordinary Shareholders at the General Meeting;
- risk that even if the Proposals are completed they may not achieve their objectives; and
- the dilutive effect of the Proposals is difficult to predict.

Risks relating to the New Shares

- possible volatility in the price of Ordinary Shares;
- risk of future issues of Ordinary Shares further diluting the holdings of current Ordinary Shareholders and materially affecting the market price of the Ordinary Shares. The market price of the Ordinary Shares may also be adversely affected by a significant sale of Ordinary Shares by HM Treasury or another major shareholder; and
- risk of reliance on dividends from subsidiaries.

Risks relating to the ECNs

- ECNs are mandatorily convertible into Ordinary Shares in certain prescribed circumstances;
- the obligations of the relevant ECN Issuer and the relevant Guarantor under the ECNs are subordinated;
- there is no active trading market for the ECNs and potentially one may not develop;
- restricted remedies for non-payment; and
- the ECNs may be Deeply Discounted Securities.

PART II

RISK FACTORS

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

This section describes the risk factors which are considered by the ECN Issuers, Lloyds TSB Bank, Lloyds Banking Group and their respective Directors to be material in relation to the Group, the Exchange Offer and the New Securities. Where risks are described in terms of a risk to an investment in existing Ordinary Shares, these apply and are equally relevant to the New Shares.

These risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not presently known to the ECN Issuers, Lloyds TSB Bank, Lloyds Banking Group and their respective Directors, or which they currently deem immaterial, may also have an adverse effect on the Group's operating results, financial condition and prospects. The information given is as at the date of this document and, except as required by the FSA, the London Stock Exchange, the Listing Rules, the Prospectus Rules, the Disclosure and Transparency Rules or any other applicable law or regulation, will not be updated. Any forward-looking statements are made subject to the reservations specified under "Forward-Looking Statements" on page 32 of this document.

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

1 Risks relating to the Group

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

2 Risks relating to the Exchange Offer

The following section does not describe all of the risks for Holders of either participating or not participating in the Exchange Offer. Prior to making a decision as to whether to participate, Holders should consider carefully, in light of their own financial circumstances and investment objectives, all the information set out in this Exchange Offer Memorandum and, in particular, the following risk factors.

2.1 Differences between the Existing Securities and the New Securities

The full terms and conditions of the ECNs (subject to completion and amendment) are set out in this Exchange Offer Memorandum. This Exchange Offer Memorandum does not set out a summary of the differences between the Existing Securities and the ECNs. Holders who are in any doubt as to the terms of their Existing Securities and the differences to the terms of the ECNs are recommended to inform themselves about the terms of their Existing Securities and seek financial and legal advice from their professional advisers prior to participating in the Exchange Offer as they deem appropriate. The form and terms and conditions of the Existing Securities are substantially different from those of the New Securities. Holders should carefully consider the differences (which include, *inter alia*, in some cases the payment dates, the maturity dates, the ranking, obligations with respect to interest payments, the redemption prices in the event of tax or capital disqualification redemption triggers, the identity of the obligor and the form in which the New Securities are issued and, in the case of all ECNs, the inclusion of an automatic conversion feature into Ordinary Shares in certain prescribed circumstances). Holders should also consider whether they may be subject to tax liabilities in respect of a holding of New Securities which are different from, or higher than, tax liabilities they would have had if they retained their Existing Securities.

2.2 Risks relating to the interaction between the Exchange Options and the Exchange Priorities

Holders who Offer to Exchange their Existing Securities are required to specify their preferred Exchange Option, indicating (i) such Holder's preference for its Existing Securities to be accepted for exchange for either ECNs in accordance with the ECN Priority or the relevant Exchange Consideration in accordance with the ECA Priority, and (ii) if such Holder's Existing

Securities are not accepted pursuant to its preferred Exchange Priority, whether such Holder wishes for such Offer to Exchange to be considered in the other Exchange Priority. The interaction between the Exchange Options and the Exchange Priorities is described in Appendix 3 to this Exchange Offer Memorandum. Offers to Exchange specifying Exchange Option 2 or Exchange Option 4 will be applied to the ECA Priority before Offers to Exchange specifying Exchange Option 1 or Exchange Option 3 (together with any Offers to Exchange specifying Exchange Option 4 which were not accepted pursuant to the ECA Priority in certain circumstances) are applied to the ECN Priority. Holders should note, therefore, that if Offers to Exchange specifying Exchange Option 2 or Exchange Option 4 are sufficient to reach or exceed the Maximum Exchange Consideration Amount, Holders specifying Exchange Option 3 who are not accepted pursuant to the ECN Priority will not have the opportunity to participate in the ECA Priority. Conversely, if Offers to Exchange specifying Exchange Option 2 or Exchange Option 4 are insufficient to reach or exceed the Maximum Exchange Consideration Amount such that the ECA Priority is re-run to include any Exchange Offers specifying Exchange Option 3 which were not accepted pursuant to the ECN Priority, to the extent that Exchange Offers specifying Exchange Option 4 are not accepted pursuant to the ECA Priority on such re-run, Holders making such Offers to Exchange will not have the opportunity to participate in the ECN Priority.

2.3 ECNs will be issued through the Clearing Systems

Each series of ECNs, including any Additional ECNs, issued pursuant to the Exchange Offer will be initially represented by one or more Temporary Global Notes or Global Certificates (as the case may be), which will be held by a common depository, on behalf of the relevant Clearing Systems. Holders who Offer to Exchange their Existing Securities must maintain, or where relevant, procure, access to an account with the Clearing Systems through which ECNs or Additional ECNs can be traded, and to which any Accrued Interest Payment or Accrued Dividends Payment (as the case may be), may be credited. Neither ECN Issuer will issue ECNs in definitive form or which are cleared through CREST. As Holders may, in certain limited circumstances, be allocated Additional ECNs by way of Exchange Consideration and may therefore receive ECNs whichever Exchange Option they have selected (in accordance with the procedures set out herein), Holders who do not have access to a Clearing System account would need to procure such access in order to receive any ECNs to which they may become entitled pursuant to the Exchange Offer. **Offers to Exchange Existing Securities received from Holders which do not provide details of a valid Clearing System account may not be accepted by either ECN Issuer or Lloyds Banking Group (as the case may be).**

2.4 Uncertainty as to the credit ratings and trading markets for the Existing Securities not exchanged

Although the Existing Securities which are not Offered for Exchange and accepted will continue to be listed, to the extent that Existing Securities are not exchanged for ECNs or the relevant Exchange Consideration, the trading markets for the Existing Securities which remain outstanding following the completion of the Exchange Offer may be significantly more limited. Such outstanding Existing Securities may command a lower price than a comparable issue of securities with greater market liquidity. A reduced market value may also make the trading price of the remaining Existing Securities more volatile. As a result, the market price for the Existing Securities that remain outstanding after the completion of the Exchange Offer may be adversely affected as a result of the Exchange Offer. In addition, it is possible that the credit ratings of certain of the Existing Securities may be affected, although it is not expected that any such changes would affect adversely other credit ratings of Group companies. Holders of Existing Securities issued or guaranteed by HBOS or BOS currently have access to the cashflows of HBOS and BOS, respectively, and payments on certain of such securities are conditional upon the solvency and capital position of HBOS and BOS, respectively. As part of the integration of HBOS into the Group, the business and operations of the enlarged Group may be reconfigured by Lloyds Banking Group, including by means of the transfer of certain businesses and operations out of the HBOS Group or as part of a corporate restructuring.

2.5 *Uncertainty as to the ongoing position of holders of the Saphir Existing Securities*

In addition to the matters described above in relation to Existing Securities which are not Offered for Exchange and accepted, holders of the Saphir Existing Securities which are not so accepted should be aware that Saphir Finance is an orphan special purpose vehicle incorporated in the Republic of Ireland. Saphir Finance's business has been acting as one of a number of issuers under a multi-issuer programme for the raising of money by issuing multiple series of notes and other obligations on a secured limited recourse basis. As such, Saphir Finance and the other issuers under the programme have no material assets other than those assets on which notes and other obligations issued by them are secured. Prior to the commencement of administration of Lehman Brothers International (Europe) ("LBIE"), Saphir Finance and the other issuers under the programme relied upon LBIE to pay certain operating expenses on their behalf. Since then, the ongoing operations and administration of Saphir Finance and of the other issuers under the programme have been adversely affected. In October 2009 the listings of certain notes issued by Saphir Finance, including the Saphir Existing Securities, on the regulated market of the Irish Stock Exchange were suspended due to the failure by Saphir Finance to meet the requirements of the Irish Financial Services Regulatory Authority and the Irish Stock Exchange Limited in relation to the timely publication of accounts. The costs of Saphir Finance's continuing operations are being shared among certain holders of notes of different series issued by it and other interested parties. As the number of series of notes issued by Saphir Finance and the other issuers under this programme decreases through redemptions and repayments, the costs of maintaining Saphir Finance may be spread over a decreasing number of parties. In the absence of any independent means, there can be no assurance as to the future status of Saphir Finance and the position of holders of the Saphir Existing Securities may be adversely affected by any insolvency or other similar proceedings relating to Saphir Finance. In addition, the trustee of secured notes issued by Saphir Finance, including the Saphir Existing Securities, has incurred, and continues to incur, fees and expenses in relation to its representation of holders of such notes. Under the terms of the Saphir Existing Securities (and other securities issued by Saphir Finance), the trustee is entitled to be indemnified by noteholders before taking certain actions on their behalf and is also indemnified out of the assets secured in respect of the Saphir Existing Securities (or in respect of such other securities, as the case may be) in respect of all liabilities and expenses not otherwise satisfied and which are properly incurred by it in the execution of its role. Holders whose Saphir Existing Securities are not Offered for Exchange and accepted should be aware that Lloyds Banking Group has no obligation in respect of Saphir Finance and has no obligation to propose any further exchange offers with respect to such securities. Following the Exchange Offer, the Group may hold a sufficient principal amount of the Saphir Existing Securities to be able to pass a written or other resolution of the holders of such securities to redeem or otherwise amend them.

2.6 *Likelihood of coupon suspension and capital calls of certain Existing Securities*

The Company, together with HM Treasury, has now finalised its negotiations with the European Commission around the restrictions to be required in relation to the payment of coupons and dividends on the Existing Securities and on the exercise of any optional issuer call rights ("capital calls") applicable to Existing Securities. These negotiations are part of HM Treasury's and the Company's detailed negotiations with the European Commission in relation to the terms of a restructuring plan which is required in the context of a review resulting from the state aid which has been received by the Group.

These negotiations have made clear that the European Commission intends to require a commitment that members of the Group will not make a discretionary payment of coupons or dividends on hybrid capital securities issued by members of the Group (other than members of the Company's insurance group). The Company believes that holders of the Relevant Subject Securities (as described in Appendix 9 hereto) will be adversely affected by the Group's inability to make such payments. The "Relevant Subject Securities" are those securities on which the Group currently has – or will within a contractually defined period have – no obligation (by reason of the terms of either those or other securities) to make payments of coupons or dividends. The Company believes that the relevant scheduled coupon or dividend payment dates that will be subject to the commitment not to pay dividends or coupons will be those falling within the two-year period commencing 31 January

2010 (the “Affected Period”, as more fully set out in Appendix 9 hereof). The Company believes, however, that interest payments on the new ECNs and other new issues of capital securities will not be affected by these restrictions.

Further, the Company, together with HM Treasury, has now finalised its negotiations with the European Commission on the treatment of capital calls. The Company believes that those hybrid capital securities issued by members of the Group (other than members of the Company’s insurance group) which contain capital calls falling within the Affected Period will also be affected by the commitment expected to be required by the European Commission and therefore that the Group will not be able to exercise call options on any hybrid capital securities issued by members of the Group (other than members of the Company’s insurance group) on their respective optional redemption dates during the Affected Period.

The Company expects to receive a formal decision from the European Commission on the state aid position and the restructuring plan by the end of 2009. Since the ultimate decision regarding the commitments in relation to discretionary coupons and dividend payments and capital calls will be taken by the College of Commissioners, the Company is unable to give any assurances as to the outcome of the discussions referred to above.

It is the current intention of the Company that any decision to exercise capital calls in any Existing Securities that remain outstanding following the Affected Period and which belong to a class or series of Applicable Securities, will be made on an economic basis. As used above, “Applicable Securities” means Existing Securities belonging to a class or series (a) the holders of some of which had their Offers to Exchange accepted in the Exchange Offer (or in the U.S. Exchange Offer) in accordance with the Exchange Priorities set out in Appendices 1 and 2 hereto (or, in relation to the U.S. Exchange Offer, the equivalent Exchange Priority described in the exchange offer memorandum relating to the U.S. Exchange Offer of even date herewith) or (b) which appears in the relevant Exchange Priority ahead of the lowest ranking class or series falling within (a) above.

2.7 *No obligation to Holders to accept Offers to Exchange*

The ECN Issuers and Lloyds Banking Group are under no obligation to Holders to accept Offers to Exchange and in any event Holders of a series or class of Existing Securities who Offer to Exchange such Existing Securities may not receive New Securities and/or cash by virtue of the ranking of such series or class in the relevant Exchange Priority. Offers to Exchange may be rejected by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) for any reason and neither ECN Issuer nor Lloyds Banking Group is under any obligation to Holders to furnish any reason or justification for refusing to accept an Offer to Exchange. For example, Existing Securities Offered for Exchange may be rejected if the Exchange Offer is terminated, if the Exchange Offer does not comply with the relevant requirements of a particular jurisdiction, if any of the Exchange Offer Conditions are not met, if the Minimum Existing Holding condition is not satisfied (in the case of Non-Clearing System Existing Securities only) or for other reasons.

2.8 *Requirement to Offer to Exchange the Minimum Existing Holding in respect of certain Existing Securities*

Holders of Non-Clearing System Existing Securities may only participate in the Exchange Offer if they Offer to Exchange the Minimum Existing Holding. Offers to Exchange relating to a principal amount/liquidation preference of less than the Minimum Existing Holding will not be accepted by the relevant ECN Issuer or Lloyds Banking Group (as the case may be). However certain Holders of such Non-Clearing System Existing Securities who are Eligible Retail Holders, will be invited to participate in the Retail Holdings Offer to tender such securities for a cash amount equal to the relevant Exchange Consideration Amount, as further described herein under Part VI (“The Exchange Offer – Proposed Invitation to Eligible Retail Holders”) of this document.

Although the Group currently intends to undertake the Retail Holdings Offer, there can be no assurances that such Retail Holdings Offer will proceed or, if it does, that it will be on the terms currently contemplated. The proposed Retail Holdings Offer will only be available to certain Holders of those classes or series of Non-Clearing System Existing Securities in respect of which (or which are Non-Clearing System Existing Securities which rank in the

relevant Exchange Priority ahead of Existing Securities in respect of which) some Holders of that class or series have had Offers to Exchange accepted in accordance with either Exchange Priority pursuant to the Exchange Offer.

2.9 Responsibility of Holders for complying with the procedures of the Exchange Offer

Holders are responsible for complying with all of the procedures for submitting Exchange Instructions pursuant to the terms of this Exchange Offer Memorandum. None of the ECN Issuers, Lloyds Banking Group, the Dealer Managers, the Registrars or the Exchange Agent assumes any responsibility for informing Holders of irregularities with respect to Exchange Instructions from the Holders.

2.10 Completion, termination and amendment of the Exchange Offer

No assurance can be given that the Exchange Offer will be completed. Completion of the Exchange Offer is conditional upon the satisfaction or waiver of the conditions to the Exchange Offer set out herein. In addition, subject as provided herein, LBG Capital No.1 may, with the prior consent of the Dealer Managers (such consent not to be unreasonably withheld or delayed), extend, re-open, amend, terminate or withdraw the Exchange Offer (including, but not limited to, amendments to the ECN Conditions) at any time prior to the announcement of whether it, LBG Capital No.2 or Lloyds Banking Group (as the case may be), accepts valid Offers to Exchange pursuant to the Exchange Offer, which Lloyds Banking Group, acting on behalf of itself and the ECN Issuers, expects to make on the Results Announcement Date. LBG Capital No.1 may, in its sole discretion, waive conditions to the Exchange Offer after this date.

2.11 Revocation of Exchange Instructions

Notwithstanding the right of Holders to withdraw Exchange Instructions in the limited circumstances set out in Part VI ("The Exchange Offer – Terms of the Exchange Offer – Revocation Rights") of this Exchange Offer Memorandum, such revocation will only be accepted if validly submitted in accordance with the instructions contained herein and including to CREST and/or the relevant Clearing System, as the case may be, prior to the Expiration Deadline (or any earlier deadlines set by CREST, such Clearing System, or any relevant Intermediaries).

2.12 Restriction on transfer of Existing Securities

When considering whether to participate in the Exchange Offer, Holders should take into account that restrictions on the transfer of Existing Securities by Holders will apply from the time of submission of Exchange Instructions. A Holder will, on submitting a Clearing System Exchange Instruction, agree that its Existing Securities will be blocked in the relevant account in the relevant Clearing System, as applicable, from the date the relevant Clearing System Exchange Instruction is submitted until the earlier of (i) the time of settlement on the relevant Settlement Date (which, in the case of an Offer to Exchange accepted for the relevant Exchange Consideration, is expected to be on or around 18 February 2010) and (ii) the date of any termination of the relevant Exchange Offer (including where such Existing Securities are not accepted by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) for exchange) or on which the Exchange Instruction is revoked, in the limited circumstances in which such revocation is permitted. In the case of the Existing Securities held in CREST the relevant procedures for submission of a valid Non-Clearing System Exchange Instruction include the settlement of a TTE Instruction, after which holders of such Existing Securities will not be able to access the Existing Securities concerned in CREST (subject to the limited revocation rights of Holders) until the relevant Exchange Offer is terminated or concluded. In the case of the Existing Securities that are not held in a Clearing System or in CREST, these procedures include the delivery to the relevant Registrar of the certificate or certificates for the Existing Securities which are the subject of the relevant Non-Clearing System Exchange Instruction together with such Non-Clearing System Exchange Instruction, and the making of certain agreements and acknowledgements, and the giving of certain representations, warranties and undertakings, the effect of which is that the relevant holder of such Existing Securities will not be able to subsequently transfer the Existing Securities which are the subject of such Non-Clearing System Exchange Instruction (subject to the limited revocation rights of Holders) until the Exchange Offer is terminated or concluded.

2.13 Compliance by Holders with Offer Restrictions

Holders are referred to the offer restrictions on pages 66 to 72 and the deemed representations and warranties on pages 90 to 93 of, and in Appendix 5 to, this Exchange Offer Memorandum. Non-compliance with the offer restrictions by a Holder could result in, among other things, an inability to validly Offer to Exchange Existing Securities, the unwinding of trades and/or heavy penalties.

2.14 Responsibility to consult advisers

Holders should consult their own tax, accounting, financial and legal advisers as they may deem appropriate regarding the suitability to themselves of the tax, accounting, financial and legal consequences of participating or declining to participate in the Exchange Offer and an investment in the New Securities. In particular, due to the number of different jurisdictions where tax laws may apply to a Holder and save as set out in Risk Factors 5.19 and 5.20 below and in Part XIX ("Taxation Considerations"), this Exchange Offer Memorandum does not discuss the tax consequences for Holders arising from the exchange of their Existing Securities in the Exchange Offer and the receipt of New Securities and any Accrued Interest Payment or Accrued Dividends Payment (as the case may be), nor as holders of the New Securities. Holders are urged to consult their own professional advisers regarding the possible tax consequences under the laws of the jurisdictions that apply to them. Holders are liable for their own taxes and have no recourse to the ECN Issuers, Lloyds Banking Group, the Dealer Managers or the Exchange Agent with respect to taxes arising in connection with the Exchange Offer.

2.15 The relevant Exchange Consideration Amount will not be delivered until the Late Settlement Date

As the relevant Exchange Consideration Amount will not be delivered until approximately 90 days after the Expiration Deadline on the Late Settlement Date, the corresponding Existing Securities which have been accepted for exchange by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) will remain blocked or subject to escrow arrangements in the relevant Clearing System or CREST account, as applicable, or deposited with the relevant Registrar, as the case may be. In each case, Holders will not be permitted to transfer, or conduct any trading activity with respect to, such blocked Existing Securities.

2.16 Lloyds Banking Group may not satisfy the aggregate Exchange Consideration Amount in the form of New Shares or cash and Holders may receive Additional ECNs

Holders whose Offers to Exchange are accepted by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) and are entitled to receive the relevant Exchange Consideration Amount have no right to receive New Shares. The relevant ECN Issuer or Lloyds Banking Group (as the case may be) may elect, by no later than the fifth day prior to the Late Settlement Date, to pay cash on the Late Settlement Date instead. Further, the New Shares Price will not be determined until shortly before the Late Settlement Date, and during the period from the Expiration Deadline up to and including the Late Settlement Date, the trading market for, and the market price of, the Ordinary Shares may fluctuate greatly. Therefore it is possible that the New Shares Price, as determined in accordance with the procedures set out in this Exchange Offer Memorandum, may mean that the aggregate number of New Shares that would need to be issued by Lloyds Banking Group to satisfy the aggregate Exchange Consideration Amount payable to Holders whose Offers to Exchange have been accepted, exceeds the Maximum Approved Amount. In the event of such a shortfall, Lloyds Banking Group will allocate to those Holders whose Offers to Exchange have been accepted, the maximum number of New Shares available to be issued, in accordance with the ECA Priority. Holders who do not receive a sufficient number of New Shares to satisfy the Exchange Consideration Amount due to them may receive cash or, on a par-for-par basis, Additional ECNs. Accordingly, Holders whose Offers to Exchange have been accepted in exchange for the Exchange Consideration Amount will not know whether they will receive New Shares and/or cash and/or, in the applicable limited circumstances, Additional ECNs until the Exchange Consideration Announcement, expected to be on or around 12 February 2010. If the market price of the Ordinary Shares is subject to adverse volatility and material fluctuation in the period during which the New Shares Price is calculated, the New Shares Price may not necessarily be an accurate indication of the market price of the

Ordinary Shares. Further, in the event that a Holder receives Additional ECNs, there can be no assurance that the value of such Additional ECNs will equal the relevant Exchange Consideration Amount.

2.17 Holdings of Existing Securities below the minimum denomination and below the Minimum Existing Holding

A Holder whose Existing Securities are accepted for exchange in the Exchange Offer (including after any scaling by application of a scaling factor), may continue to hold in its account with the relevant Clearing System a principal amount/liquidation preference of Existing Securities which is less than the minimum denomination for such series or class (whether by virtue of such scaling or otherwise). Such a Holder would need to purchase a principal amount/liquidation preference of Existing Securities of such series or class such that its holding amounts to at least the amount of such minimum denomination. Otherwise such residual holding may not be tradeable in the Clearing Systems.

In addition, Holders of Non-Clearing System Existing Securities who do not hold the Minimum Existing Holding will not be permitted to participate in the Exchange Offer and are therefore not eligible to receive New Securities or cash in exchange for their Existing Securities. Such Holders should refer to Part B of Part VI (“The Exchange Offer – Proposed Invitation to Eligible Retail Holders”) for details of the proposed Retail Holdings Offer intended to be conducted following the Early Settlement Date of the Exchange Offer.

2.18 The company may issue further ECNs

As part of the Resolutions, the Company is seeking approval for a larger nominal amount of ordinary shares in relation to the issuance of ECNs than the Maximum ECN New Issue Amount. Therefore, the Company has the flexibility to issue further ECNs in the future, the terms of which may differ from the ECNs issued pursuant to the Exchange Offer. Further ECNs may also be issued in relation to the underwriting agreement with the Dealer Managers.

HOLDERS ARE ADVISED TO CHECK WITH ANY BANK, SECURITIES BROKER, CLEARING SYSTEM OR OTHER INTERMEDIARY THROUGH WHICH THEY HOLD THEIR EXISTING SECURITIES WHETHER SUCH INTERMEDIARY APPLIES DIFFERENT DEADLINES FOR ANY OF THE EVENTS SPECIFIED IN THIS EXCHANGE OFFER MEMORANDUM, AND THEN TO ALLOW FOR SUCH DEADLINES IF SUCH DEADLINES ARE PRIOR TO THE DEADLINES SET OUT IN THIS EXCHANGE OFFER MEMORANDUM.

3 Risks relating to the Proposals

Risk factors relating to the Proposals are set out on pages 30-31 of Part II (“Risk Factors”) of the Rights Issue Prospectus, and are incorporated by reference into this document.

4 Risks relating to the New Shares

Risk factors relating to the New Shares are set out on pages 32-33 of Part II (“Risk Factors”) of the Rights Issue Prospectus, and Risk Factors 3.1, 3.3 and 3.4 thereof are incorporated by reference into this document.

5 Risks relating to the ECNs

Capitalised terms used but not otherwise defined in this sub-section 5 (“Risks relating to the ECNs”) shall have the meanings given to them in Part A of Appendix 6 (“Terms and Conditions of the ECNs”).

5.1 ECNs may not be a suitable investment for all investors

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the ECNs, the merits and risks of investing in the ECNs and the information contained or incorporated by reference in this document or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the ECNs and the impact such investment will have on its overall investment portfolio;

- (iii) understand thoroughly the terms of the ECNs and be familiar with the behaviour of financial markets in which they participate; and
- (iv) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

5.2 *ECNs are mandatorily convertible into Ordinary Shares in certain prescribed circumstances*

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

If in the future Lloyds Banking Group were to be the subject of a takeover, depending on the nature of the acquiror and whether or not certain conditions are satisfied, the conversion feature on the ECNs may be disapplied permanently or, alternatively, any conversion following such takeover may be into ordinary shares of the acquiror, all as more fully described in Part A of Appendix 6 ("Terms and Conditions of the ECNs").

5.3 *Risks attached to Conversion*

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

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

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

5.5 *The remedies available to an ECN Securityholder upon enforcement of LBG's obligations under the Deed Poll are limited, and the Trustee will have no power of enforcement or otherwise under or in respect of the Deed Poll*

An ECN Securityholder may at its discretion and without notice institute such proceedings against Lloyds Banking Group as it may think fit to enforce any term or condition binding on Lloyds Banking Group under the Deed Poll, but may not take any proceedings to enforce any obligation of Lloyds Banking Group under or arising from the Deed Poll for the payment of any sum (including any damages awarded for breach of any obligations) other than instituting proceedings for the winding-up of Lloyds Banking Group, proving in any winding-up of Lloyds Banking Group and/or claiming in any liquidation of Lloyds Banking Group. The Trustee will have no power of enforcement or otherwise under or in respect of the Deed Poll on behalf of holders of the ECNs.

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

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

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

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

5.7 *ECN Securityholders must deliver a Conversion Notice within the relevant timeframe following a Conversion Trigger to receive Ordinary Shares*

In order to obtain delivery of the relevant Ordinary Shares on a Conversion of the ECNs, the relevant ECN Securityholder must (a) if the ECNs held by it are in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver a duly completed Conversion Notice, together with the relevant ECNs or Certificates representing the same (in the case of Registered ECNs) to the specified office of any ECN Paying and Conversion Agent at least five business days in the relevant place of delivery prior to the relevant Conversion Date or (b) if the ECNs held by it are represented by a Global Security or are in definitive form and held through Euroclear or Clearstream, Luxembourg, give a notice to the ECN Principal Paying and Conversion Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg at least five business days in the relevant place of delivery prior to the relevant Conversion Date (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depository for them to the ECN Principal Paying and Conversion Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time with the following details: (1) the name of the ECN Securityholder; (2) the principal amount of ECNs held by it and the subject of the Conversion; (3) the CREST account details or, if on Conversion the Ordinary Shares are not a participating security in CREST, the address to which the Ordinary Shares should be delivered; and (4) such other details as Euroclear or Clearstream, Luxembourg may require. If the Conversion Notice and relevant ECNs or the Certificate representing the same (in the case of a Registered ECN) are not delivered to the specified office of an ECN Paying and Conversion Agent on or before such date, then on the settlement date, the relevant Ordinary Shares will be issued or delivered to a person selected by Lloyds Banking Group and will be sold as soon as reasonably practicable by or on behalf of such person subject to

any necessary consents being obtained and to the deduction by or on behalf of such person of any amount payable in respect of its liability to taxation and the payment of any capital, stamp, issue, registration and/or transfer taxes and duties (if any) and any fees or costs incurred by or on behalf of such person. The net proceeds of the sale of such Ordinary Shares shall as soon as reasonably practicable be distributed rateably to the relevant ECN Securityholders in accordance with the ECN Conditions or in such other manner and at such time as Lloyds Banking Group shall determine and notify to the ECN Securityholders.

5.8 ECN Securityholders have limited anti-dilution protection

The Conversion Price at which the ECNs may be converted into Ordinary Shares will be adjusted in the event that there is a consolidation, reclassification or subdivision of the Ordinary Shares, capitalisation of profits, capital distributions or cash dividends, rights issues or grant of other subscription rights or other adjustment which affects the Ordinary Shares, but only in the situations and only to the extent provided in Part A of Appendix 6 (“Terms and Conditions of the ECNs – Conversion”) of this Exchange Offer Memorandum. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Ordinary Shares. Events in respect of which no adjustment is made may adversely affect the value of the Ordinary Shares and, therefore, adversely affect the value of the ECNs.

5.9 The obligations of the relevant ECN Issuer and the relevant Guarantor under the ECNs are subordinated

The rights and claims of the ECN Securityholders and the Couponholders and under the Guarantee will be subordinated to the claims of all Issuer Senior Creditors and all Guarantor Senior Creditors, as the case may be. See Part A of Appendix 6 (“Terms and Conditions of the ECNs – Status and Subordination of the ECNs and Guarantee – Status and Subordination of the Guarantee”). There is a material risk that a holder of ECNs will lose all or some of its investment should the relevant ECN Issuer or the relevant Guarantor become insolvent.

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

5.10 Redemption risk

The ECNs may, subject as provided in the ECN Conditions and subject to the prior consent of the FSA, be redeemed prior to their stated Maturity Date in the circumstances described below.

Upon the occurrence of a Tax Event or a Capital Disqualification Event (each as defined and more fully described in Part A of Appendix 6 (“Terms and Conditions of the ECNs – Redemption and Purchase”), the ECNs may, subject to the Conditions, be redeemed by the relevant ECN Issuer at any time (in the case of a Fixed Rate ECN) or on any Interest Payment Date (in the case of a Floating Rate ECN) prior to the Maturity Date specified in the relevant Pricing Schedule, in each case at their principal amount (or, in relation to a Capital Disqualification Event only, at such other amount as may be specified in the relevant Pricing Schedule), together with accrued but unpaid interest.

5.11 ECN Securityholders have no right to call for redemption

The relevant ECN Issuer is under no obligation to redeem the ECNs at any time prior to the stated Maturity Date and the ECN Securityholders shall have no right to call for their redemption at any time.

5.12 No limitation on issuing securities

There is no restriction on the amount of securities or indebtedness which the ECN Issuers or the Guarantors may issue or incur which rank senior to or *pari passu* with the ECNs. The issue of any such securities or indebtedness may reduce the amount recoverable by ECN Securityholders on a winding-up of the relevant ECN Issuer or the relevant Guarantor, or the

appointment of an administrator of the relevant ECN Issuer or relevant Guarantor where the administrator has declared, or given notice that it intends to declare and distribute, a dividend. In addition, the ECNs do not contain any restriction on Lloyds Banking Group issuing equity securities that may have preferential rights to the Ordinary Shares, and any such issuance would not result in an adjustment to the conversion price.

5.13 *There is no active trading market for the ECNs and potentially one may not develop*

The ECNs are new securities which may not be widely distributed and for which there is currently no active trading market. If the ECNs are traded after their initial issuance, they may trade at a discount to their issue price, depending upon prevailing interest rates, the market for similar securities, general economic conditions, the Group's results of operations, fluctuations in Lloyds Banking Group's Consolidated Core Tier 1 Ratio and the market price of the Ordinary Shares. Although application has been made for the ECNs to be listed on the Official List of the London Stock Exchange and traded on the Regulated Market of that exchange, there is no assurance that such applications will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the ECNs.

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

Credit ratings may not reflect the potential impact of all risks relating to the value of the ECNs. Real or anticipated changes in the credit ratings of the relevant Issuer and/or relevant Guarantor of the ECNs will generally affect the market value of the ECNs. The ECNs guaranteed by Lloyds TSB Bank are expected to be rated BB by S&P, Ba2 by Moody's and BB by Fitch, and the ECNs guaranteed by Lloyds Banking Group are expected to be rated BB- by S&P, Ba3 by Moody's and BB by Fitch. There can be no assurance that the methodology of the ratings agencies will not evolve or that such ratings will not be suspended, reduced or withdrawn at any time by the assigning rating agency. Further, such credit ratings may be revised downwards in the event of a deterioration in the Consolidated Core Tier 1 Ratio of Lloyds Banking Group. A rating is not a recommendation to buy, hold or sell securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

5.15 *Because the Global Notes and Global Certificates will be held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment, voting and communication with the relevant ECN Issuer*

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

The relevant ECN Issuer will discharge its payment obligations under the ECNs by making payments to the common depository for Euroclear and 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 ECNs. The relevant ECN Issuer and the relevant Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates.

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

5.16 Restricted remedies for non-payment

In accordance with the FSA's requirements for tier 2 capital, the sole remedy against the relevant ECN Issuer and/or the relevant Guarantor (as the case may be) available to the ECN Trustee to recover any amounts owing in respect of the principal of, or interest on, the ECNs will be to institute proceedings for, or prove in the winding-up or claim in the liquidation of, the relevant ECN Issuer and/or the relevant Guarantor (as the case may be) for such payment. See Part A of Appendix 6 hereto ("Terms and Conditions of the ECNs – Events of Default").

Other risks relating to the ECNs generally

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

5.17 Modification and waivers

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

5.18 Change of law

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

5.19 Deeply Discounted Securities

The ECNs are being issued pursuant to the Exchange Offer. In some cases the consideration received by an ECN Issuer for the issue of ECNs of a particular series may be less than the amount due on their redemption. That could cause such ECNs ("Affected ECNs") to be "deeply discounted securities" within the meaning of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005. Any profit made by a person within the charge to income tax (including any individual or trustee resident for tax purposes in the United Kingdom) on a disposal of an Affected ECN (including transfer, redemption or conversion) could be taxed as income. For Holders who acquire their ECNs pursuant to the Exchange Offer, a taxable profit could arise where the amount or value received by the Holder on a disposal or redemption of an ECN exceeds the price paid to acquire the ECN, that is the market value (taken at the time of the Exchange) of the relevant Existing Security exchanged by that Holder for that ECN. Because of the comparison with the price paid to acquire the ECNs it is therefore possible for a charge to arise even if the proceeds of disposal (including redemption) are equal to or lower than the par value of the ECN issued.

5.20 EU Savings Directive

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

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

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

5.21 Minimum Specified Denominations

In relation to any ECNs which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the ECNs may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of the minimum Specified Denomination. In such case, an ECN Securityholder who, as a result of such trading amounts, holds a principal amount of less than the minimum Specified Denomination (as defined in Part A of Appendix 6 (“*Terms and Conditions of the ECNs*”)) 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.

PART III

SUMMARY OFFERING TABLE AND EXCHANGE OPTIONS OVERVIEW

This summary offering table identifies each series of Existing Securities which is subject to the Exchange Offer. Holders may Offer to Exchange their Existing Securities for the relevant series of ECNs and/or the relevant Exchange Consideration Amount, in accordance with the exchange ratios set out below. The relevant ECN Issuer or Lloyds Banking Group (as the case may be) will also pay, or procure payment of, in cash, the Accrued Interest Payment or Accrued Dividends Payment, as the case may be, in respect of each series or class of Existing Securities, relating to the period from and including the most recent interest or dividend payment date to, but excluding, the relevant Settlement Date. A full description, and the terms and conditions, of the Exchange Offer are set out in Part VI (“The Exchange Offer”) of this Exchange Offer Memorandum.

<i>ISIN of Existing Securities</i>	<i>Title of Existing Securities</i>	<i>Principal Amount Outstanding</i>	<i>ECNs Exchange Ratio¹</i>	<i>Series Number of ECNs²</i>	<i>ECN ISIN</i>	<i>Exchange Consideration Amount per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as applicable) of Existing Securities³</i>
Existing Preference Shares						
XS0408828803 GB00B3KSB675	Lloyds Banking Group plc £745,431,000 6.0884% Non-Cumulative Fixed to Floating Rate Preference Shares ⁴	£745,431,000	1:1	1	XS0459086582	£700
XS0408826427	Lloyds Banking Group plc £334,951,000 6.3673% Non-Cumulative Fixed to Floating Rate Preference Shares	£334,951,000	1:1	2	XS0459086749	£700
GB00B3KSB568	Lloyds Banking Group plc £186,190,532 6.475% Non-Cumulative Preference Shares ⁴	£186,190,532	1:1	3	XS0459086822	£700
GB00B3KS9W93	Lloyds Banking Group plc £299,987,729 9.25% Non-Cumulative Irredeemable Preference Shares ⁴	£299,987,729	1:1	4	XS0459087044	£940
GB00B3KSB238	Lloyds Banking Group plc £99,999,942 9.75% Non-Cumulative Irredeemable Preference Shares ⁴	£99,999,942	1:1	5	XS0459087127	£980
XS0406095637	Lloyds Banking Group plc €500,000,000 7.875% Non-Cumulative Preference Shares	€500,000,000	1:1	6	XS0459087390	€750
XS0406095041	Lloyds Banking Group plc U.S.\$1,250,000,000 7.875% Non-Cumulative Preference Shares	U.S.\$1,250,000,000	1:1	7	XS0459087473	U.S.\$750
XS0265483064	Saphir Finance Public Limited Company £600,000,000 6.369% Perpetual Non-Cumulative Securities	£600,000,000	1:1	8	XS0459093364	£700

<i>ISIN of Existing Securities</i>	<i>Title of Existing Securities</i>	<i>Principal Amount Outstanding</i>	<i>ECNs Exchange Ratio¹</i>	<i>Series Number of ECNs²</i>	<i>ECN ISIN</i>	<i>Exchange Consideration Amount per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as applicable) of Existing Securities³</i>
Existing Capital Securities						
XS0156372343	Lloyds TSB Bank plc U.S.\$1,000,000,000 6.90% Perpetual Capital Securities	U.S.\$1,000,000,000	1:1	9	XS0459087556	U.S.\$880
XS0109138536 (Reg S) XS0109138882 (144A)	Bank of Scotland Capital Funding L.P. £250,000,000 8.117% Non-cumulative Perpetual Preferred Securities, Class A	£250,000,000	1:1	10	XS0459087630	£860
GB0058322420	HBOS Euro Finance (Jersey) L.P. €415,000,000 7.627% Fixed to Floating Rate Guaranteed Non-Voting Non-Cumulative Preferred Securities	€415,000,000	1:1	11	XS0459087804	€870
XS0107222258	Lloyds TSB Capital 1 L.P. €430,000,000 7.375% Step- up Non-Voting Non- Cumulative Preferred Securities	€430,000,000	1:1	12	XS0459087986	€950
XS0156923913	Lloyds TSB Bank plc €500,000,000 6.35% Step- up Perpetual Capital Securities	€500,000,000	1:1	13	XS0459088018	€850
XS0107228024	Lloyds TSB Capital 2 L.P. £250,000,000 7.834% Sterling Step-up Non-voting Non-cumulative Preferred Securities	£250,000,000	1:1	14	XS0459088109	£900
XS0255242769	HBOS Capital Funding No.3 L.P. €750,000,000 4.939% Fixed- to-Floating Rate Non-voting Non-cumulative Perpetual Preferred Securities	€750,000,000	1:1	15	XS0459088281	€730
XS0125681345	Bank of Scotland plc £150,000,000 7.286% Series A Perpetual Regulatory Tier One Securities	£150,000,000	1:1	16	XS0459088364	£810
XS0125686229	Bank of Scotland plc £150,000,000 7.281% Series B Perpetual Regulatory Tier One Securities	£150,000,000	1:1	17	XS0459088448	£800
XS0218638236	Lloyds TSB Bank plc €750,000,000 4.385% Step- up Perpetual Capital Securities	€750,000,000	1:1	18	XS0459088794	€730
XS0353590366	HBOS Capital Funding No.4 L.P. £750,000,000 9.54% Fixed- to-Floating Rate Non-Voting Non-cumulative Perpetual Preferred Securities	£750,000,000	1:1	19	XS0459088877	£850
XS0139175821	HBOS Capital Funding L.P. £600,000,000 6.461% Guaranteed Non-Voting Non-cumulative Perpetual Preferred Securities Series A	£600,000,000	1:1	20	XS0459089099	£840

<i>ISIN of Existing Securities</i>	<i>Title of Existing Securities</i>	<i>Principal Amount Outstanding</i>	<i>ECNs Exchange Ratio¹</i>	<i>Series Number of ECNs²</i>	<i>ECN ISIN</i>	<i>Exchange Consideration Amount per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as applicable) of Existing Securities³</i>
XS0408620135	Lloyds TSB Bank plc £784,611,000 13.00% Step-up Perpetual Capital Securities	£784,611,000	1:1	21	XS0459089255	£1000
XS0408623311	Lloyds TSB Bank plc €532,111,000 13.00% Euro Step-up Perpetual Capital Securities	€532,111,000	1:1	22	XS0459089412	€1000
XS0408620721	Lloyds TSB Bank plc £700,022,000 13.00% Sterling Step-up Perpetual Capital Securities	£700,022,000	1:1	23	XS0459089685	£1000
XS0109139344 (Reg S) XS0109139427 (144A)	Bank of Scotland Capital Funding L.P. £150,000,000 7.754% Non-cumulative Perpetual Preferred Securities, Class B	£150,000,000	1:1	24	XS0459089768	£840
GB0058327924	HBOS Sterling Finance (Jersey) L.P. €245,000,000 7.881% Guaranteed Non-voting Non-cumulative Preferred Securities	€245,000,000	1:1	25	XS0459089925	€890
XS0165483164	HBOS Capital Funding No.1 U.S.\$1,000,000,000 L.P. U.S.\$1,000,000,000 6.85% Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities	U.S.\$1,000,000,000	1:1	26	XS0459090006	U.S.\$800
Existing Notes						
XS0099508698	Lloyds TSB Bank plc £410,000,000 6.625% Undated Subordinated Step-up Notes	£153,033,000	1:1	27	XS0459090188	£880
XS0111627112	HBOS plc €300,000,000 Floating Rate Undated Subordinated Step-up Notes	€72,598,000	1:1	28	XS0459090261	€820
XS0125599687	HBOS plc ¥42,500,000,000 3.50% Undated Subordinated Step-up Notes	¥42,500,000,000	1:1	29	XS0459090345	¥850
XS0138988042	HBOS plc €500,000,000 6.05% Fixed to Floating Rate Undated Subordinated Notes	€75,380,000	1:1	30	XS0459090428	€910
XS0046690961	Bank of Scotland plc £200,000,000 8.625% Perpetual Subordinated Notes	£61,026,000	1:1	31	XS0459090691	£840
XS0188201536	HBOS plc €750,000,000 4.875% Undated Subordinated Fixed to Floating Rate Instruments	€187,049,000	1:1	32	XS0459090774	€760
XS0188201619	HBOS plc €500,000,000 Floating Rate Undated Subordinated Instruments	€113,415,000	1:1	33	XS0459090931	€680

<i>ISIN of Existing Securities</i>	<i>Title of Existing Securities</i>	<i>Principal Amount Outstanding</i>	<i>ECNs Exchange Ratio¹</i>	<i>Series Number of ECNs²</i>	<i>ECN ISIN</i>	<i>Exchange Consideration Amount per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as applicable) of Existing Securities³</i>
XS0059171230	Bank of Scotland plc £100,000,000 10.25% Subordinated Undated Instruments	£58,170,000	1:1	34	XS0459091079	£910
XS0056390007	Lloyds TSB Bank plc ¥20,000,000,000 Undated Subordinated 5.57% Step-up Coupon Notes	¥20,000,000,000	1:1	35	XS0459091152	¥800
XS0177955381	HBOS plc €750,000,000 5.125% Undated Subordinated Fixed to Floating Rate Notes	€293,781,000	1:1	36	XS0459091236	€760
XS0063730203	Bank of Scotland plc ¥17,000,000,000 4.25% Subordinated Undated Instruments	¥17,000,000,000	1:1	37	XS0459091319	¥800
XS0111599311	HBOS plc £300,000,000 7.50% Undated Subordinated Step- up Notes	£4,478,000	1:1	38	XS0459091400	£810
XS0169667119	Lloyds TSB Bank plc £500,000,000 5.125% Upper Tier 2 Callable Perpetual Subordinated Notes	£153,103,000	1:1	39	XS0459091582	£800
XS0099507534	Lloyds TSB Bank plc £270,000,000 6.50% Undated Subordinated Step- up Notes	£97,457,000	1:1	40	XS0459091665	£800
XS0205326290	HBOS plc £500,000,000 5.625% Cumulative Callable Fixed to Floating Rate Undated Subordinated Notes	£4,080,000	1:1	41	XS0459091749	£760
GB0000395094	Bank of Scotland plc £100,000,000 12.00% Perpetual Subordinated Bonds ⁵	£100,000,000	1:1	42	XS0459091822	£1000
XS0166717388	HBOS plc £600,000,000 5.75% Undated Subordinated Step- up Notes	£3,509,000	1:1	43	XS0459092044	£790
XS0083932144	Bank of Scotland plc £150,000,000 7.375% Subordinated Undated Instruments	£57,815,000	1:1	44	XS0459092127	£770
GB0000395102	Bank of Scotland plc £100,000,000 8.750% Perpetual Subordinated Bonds ⁵	£100,000,000	1:1	45	XS0459092390	£860
XS0079927850	Lloyds TSB Bank plc £200,000,000 8.00% Undated Subordinated Step- up Notes	£68,869,000	1:1	46	XS0459092473	£870
GB0005242879	Bank of Scotland plc £50,000,000 9.375% Perpetual Subordinated Bonds ⁵	£50,000,000	1:1	47	XS0459092556	£900

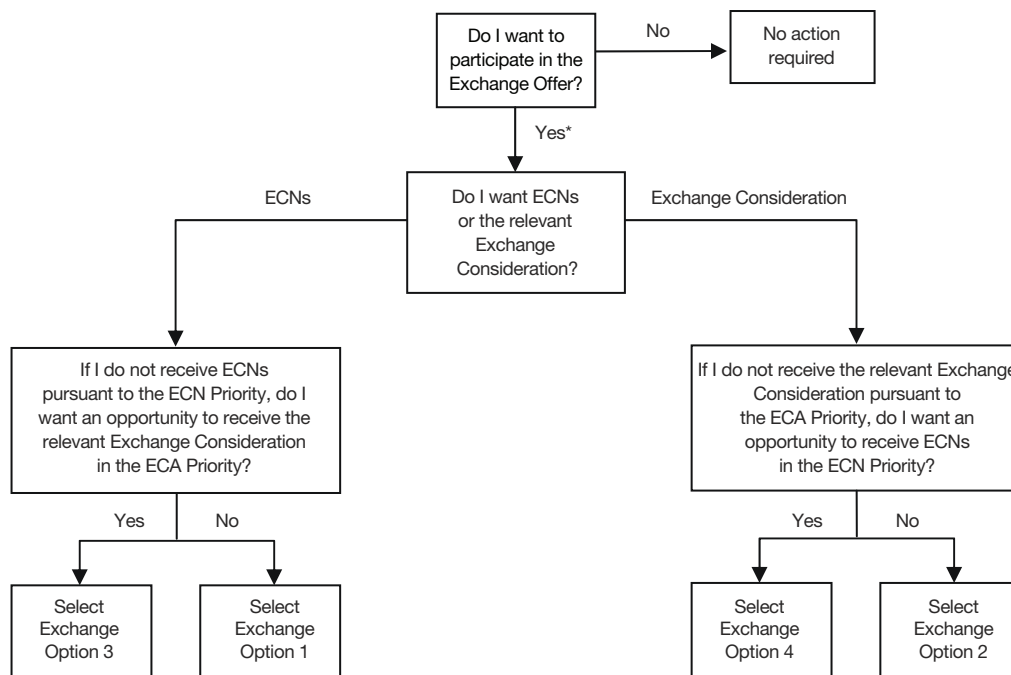
<i>ISIN of Existing Securities</i>	<i>Title of Existing Securities</i>	<i>Principal Amount Outstanding</i>	<i>ECNs Exchange Ratio¹</i>	<i>Series Number of ECNs²</i>	<i>ECN ISIN</i>	<i>Exchange Consideration Amount per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as applicable) of Existing Securities³</i>
XS0158313758	HBOS plc £500,000,000 5.75% Undated Subordinated Step-up Notes	£8,530,000	1:1	48	XS0459092630	£790
XS0099507963	Lloyds TSB Bank plc £450,000,000 6.50% Undated Subordinated Step-up Notes	£107,506,000	1:1	49	XS0459092804	£820
XS0145407507	Lloyds Banking Group plc £500,000,000 6.00% Undated Subordinated Guaranteed Bonds	£113,965,000	1:1	50	XS0459092986	£820
GB0001905362	Lloyds TSB Bank plc £100,000,000 11.75% Perpetual Subordinated Bonds ⁴	£100,000,000	1:1	51	XS0459093109	£1000
GB0000394915	Bank of Scotland plc £75,000,000 13.625% Perpetual Subordinated Bonds ⁵	£75,000,000	1:1	52	XS0459093281	£1000

Due to the number and type of Existing Securities which are subject to the Exchange Offer, and the differences between such Existing Securities and the New Securities, this Exchange Offer Memorandum does not set out a summary of the differences between them. Holders who are in any doubt as to the terms of their Existing Securities and the differences to the terms of the New Securities are recommended to seek appropriate financial, tax, accounting and legal advice from their professional advisers prior to participating in the Exchange Offer.

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- 1 Holders whose Offers to Exchange are accepted in exchange for ECNs, or in the limited circumstances described herein, Additional ECNs, will receive an aggregate principal amount of ECNs equal to the aggregate principal amount or liquidation preference (as the case may be) of the corresponding series of Existing Securities which has been accepted for exchange by the relevant ECN Issuer or Lloyds Banking Group (as the case may be).
 - 2 "Series Number" refers to the series number of the relevant series of ECNs into which Holders are permitted to exchange each series or class of Existing Securities. Further details of each series of ECNs are set out in the relevant Pricing Schedule in Part B of Appendix 6 hereto ("Pricing Schedules relating to the ECNs").
 - 3 Holders whose Offers to Exchange are accepted in exchange for the relevant Exchange Consideration Amount will receive New Shares and/or cash in an amount, per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as applicable) of Existing Securities accepted for Exchange, equal to the relevant Exchange Consideration Amount, as specified in this column, or, in limited circumstances, Additional ECNs on a par-for-par basis. Holders who receive New Shares pursuant to the Exchange Offer will receive such number of New Shares equal to the relevant Exchange Consideration Amount, divided by the product of the New Shares Price (as announced by Lloyds Banking Group, acting on behalf of itself and the ECN Issuers on 12 February 2010) and the relevant FX Rate (if applicable).
 - 4 For the purposes of submitting a Non-Clearing System Exchange Instruction with respect to this series of Existing Securities, the relevant Registrar is Equiniti Limited.
 - 5 For the purposes of submitting a Non-Clearing System Exchange Instruction with respect to this series of Existing Securities, the relevant Registrar is Capita Registrars Limited.

EXCHANGE OPTIONS OVERVIEW

Holders who wish to participate in the Exchange Offer may choose from four Exchange Options through which to Offer to Exchange their Existing Securities, all as more particularly described in Part VI (“The Exchange Offer – Terms of the Exchange Offer”) of this Exchange Offer Memorandum. The diagrams below are summaries of the Exchange Options available and how they interact with the Exchange Priorities and are intended to assist Holders in making the correct determination as to the most appropriate Exchange Option to be selected. They should be read in conjunction with the full terms and conditions of the Exchange Offer referred to above prior to making any decision to Offer to Exchange Existing Securities.



* Holders may only receive ECNs, or in the applicable limited circumstances described herein, Additional ECNs, pursuant to the Exchange Offer if they have access to a securities account with Euroclear or Clearstream, Luxembourg. Holders who do not have such access and who wish to participate in the Exchange Offer should contact their broker, financial adviser, dealer, bank, custodian, trust company or other nominee as soon as possible to arrange access to an account at either Euroclear or Clearstream, Luxembourg, or contact the Exchange Agent for further information.

Interaction between the Exchange Options and the Exchange Priorities

STEP 1: ECA Priority

- Offers to Exchange specifying Exchange Option 2 or Exchange Option 4 are pooled and applied to the ECA Priority in accordance with the ranking of the relative Existing Securities
- If the Maximum Exchange Consideration Amount is reached or exceeded, then Step 3 will not occur, Offers to Exchange applied to the ECA Priority before the Maximum Exchange Consideration Amount is exceeded will be accepted for the relevant Exchange Consideration Amount (subject to pro-ration) and Offers to Exchange which specify Exchange Option 4 and which have not been accepted above (if any) will be applied in Step 2
- If the Maximum Exchange Consideration Amount is NOT reached or exceeded, then no Offers to Exchange will be accepted pursuant to this Step 1 and instead Offers to Exchange specifying Exchange Option 2 or Exchange Option 4 shall be pooled with certain other Offers to Exchange as described in Step 3 and the ECA Priority will be re-run as described in Step 3

STEP 2: ECN Priority

- Offers to Exchange specifying Exchange Option 1 or Exchange Option 3 are pooled together with (if any) Offers to Exchange specifying Option 4 which were not accepted in Step 1 in circumstances where the Maximum Exchange Consideration Amount was exceeded, and applied to the ECN Priority in accordance with the ranking of the relative Existing Securities
- Offers to Exchange applied to the ECN Priority before the Maximum ECN New Issue Amount is exceeded will be accepted for exchange into ECNs (subject to pro-ration), and Offers to Exchange which specify Exchange Option 3 and which have not been accepted above (if any) will, if Step 3 occurs, be applied in Step 3

STEP 3: ECA Priority (re-run)

- Step 3 occurs only in the event that the Maximum Exchange Consideration Amount is NOT reached or exceeded in Step 1
- Offers to Exchange specifying Exchange Option 2 or Exchange Option 4 are pooled together with (if any) Offers to Exchange specifying Exchange Option 3 which were not accepted in Step 2, and applied to the ECA Priority in accordance with the ranking of the relative Existing Securities
- Offers to Exchange applied to the ECA Priority before the Maximum Exchange Consideration Amount is exceeded will be accepted for the relevant Exchange Consideration Amount (subject to pro-ration)

PART IV OTHER IMPORTANT INFORMATION

Loss Forecast

Save as otherwise stated herein at paragraph 12 of Part V (“Letter from Sir Winfried Bischoff, Chairman of Lloyds Banking Group plc”), Part VIII (“Information on the Group”) and Part XVIII (“Section A: Loss Forecast for the Year Ending 31 December 2009”) of this Exchange Offer Memorandum, no statement in this document or incorporated by reference into this document is intended to constitute a profit forecast or profit estimate for any period, nor should any statement be interpreted to mean that earnings or earnings per share will necessarily be greater or lesser than those for the relevant preceding financial periods for Lloyds Banking Group, unless otherwise stated.

Rounding

Certain figures included in this document and in the information incorporated by reference into this document have been subject to rounding adjustments. Accordingly, discrepancies in tables between the totals and the sums of the relevant amounts are due to such rounding.

Percentages have been calculated and disclosed to the extent they provide meaningful information for the convenience of the reader.

Websites

Neither the content of the Group’s website, including HBOS’s website, nor any other website nor the content of any website accessible from hyperlinks on the Group’s website, including HBOS’s website, nor any other website is incorporated into, or forms part of, this document.

Time

All references in this document to times are to London time unless otherwise stated.

Definitions and Interpretation

Unless otherwise stated, capitalised terms used in this document have the meanings ascribed to them in Part XXIV (“Definitions”) of this document.

Unless otherwise specified or the context otherwise requires, references to “£”, “pounds”, “sterling” and “pence” are to pounds sterling, references to “€” or “euro” refer to the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam, references to “A\$” are to Australian dollars, references to “S\$” are to Singapore dollars, references to “U.S.\$”, “Dollar” or “dollar” are to United States dollars and references to “¥” and “yen” are to Japanese Yen.

Forward-Looking Statements

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

Examples of such forward-looking statements include, but are not limited to, projections or expectations of profit attributable to shareholders, provisions, economic profit, dividends, capital structure or any other financial items or ratios; statements of plans, objectives or goals of the Group or its management; statements about the future trends in interest rates, foreign exchange rates, stock market levels and demographic trends and any impact on the Group; statements concerning any future UK or other economic environment or performance including in particular any

such statements included in this document or its annual report; statements about strategic goals, competition, regulation, disposals and consolidation or technological developments in the financial services industry; and statements of assumptions underlying such statements.

Factors that could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements made by the Group or on the Group's behalf include, but are not limited to, general economic conditions in the UK and internationally; inflation, deflation, interest rates, policies of the Bank of England and other G-8 central banks, exchange rate, market and monetary fluctuations; changing demographic developments including mortality and changing customer behaviour including consumer spending, saving and borrowing habits, borrower credit quality, technological changes, natural and other disasters, adverse weather and similar contingencies outside the Group's control; inadequate or failed internal or external processes, people and systems; terrorist acts, other acts of war, geopolitical, pandemic or other such events; changes in laws, regulations, taxation, government policies or accounting standards or practices, exposure to regulatory scrutiny, legal proceedings or complaints, changes in competition and pricing environments; the inability to hedge certain risks economically; the adequacy of loss reserves; the ability to secure new customers and develop more business from existing customers; the ability to achieve value-creating mergers and/or acquisitions at the appropriate time and prices and the success of the Group in managing the risks of the foregoing, the ability to derive cost savings and other benefits as well as to mitigate exposures from the acquisition and integration of HBOS.

The Group may also make or disclose written and/or oral forward-looking statements in reports filed with or furnished to the SEC, the Company's annual reviews, half-yearly announcements, proxy statements, offering circulars, prospectuses, press releases and other written materials and in oral statements made by the directors, officers or employees of the Group to third parties, including financial analysts.

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

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the ECN Issuers, Lloyds TSB Bank or Lloyds Banking Group. Neither the delivery of this document nor any offer to exchange made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Lloyds TSB Bank, Lloyds Banking Group or the Group since the date of this document or that the information in this document is correct as at any time subsequent to its date.

In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Group and the terms of the Exchange Offer, including Part II ("Risk Factors") and Part VI ("The Exchange Offer – Offer Restrictions") of this document.

The Dealer Managers are entitled to hold positions in the Existing Securities and the New Securities. The Dealer Managers are entitled to continue to own or dispose of, in any manner they may elect, any Existing Securities they may beneficially own as at the date of this Exchange Offer Memorandum or, from such date, to acquire further Existing Securities, subject to applicable law. The Dealer Managers have no obligation to the ECN Issuers or Lloyds Banking Group to Offer to Exchange or refrain from Offering to Exchange Existing Securities beneficially owned by them in connection with the Exchange Offer.

PART V

LETTER FROM SIR WINFRIED BISCHOFF, CHAIRMAN OF LLOYDS BANKING GROUP PLC

Directors:

Sir Winfried Bischoff (*Chairman*)
Lord Leitch (*Deputy Chairman*)
J Eric Daniels (*Group Chief Executive*)
Archie G Kane
G Truett Tate
Tim J W Tookey
Helen A Weir CBE
Dr. Wolfgang C G Berndt
Sir Julian Horn-Smith
Carolyn J McCall OBE
T Timothy Ryan, Jr.
Martin A Scicluna
Anthony Watson CBE

Registered Office:

Henry Duncan House
120 George Street
Edinburgh
EH2 4LH

3 November 2009

Dear Holders of Existing Securities,

PROPOSED ALTERNATIVE TO THE GOVERNMENT ASSET PROTECTION SCHEME COMPRISING A LIABILITY MANAGEMENT EXERCISE BY WAY OF EXCHANGE OFFERS AND A RIGHTS ISSUE TOGETHER WITH THE HMT TRANSACTIONS AND SHARE SUBDIVISION

1 Introduction

Today, Lloyds Banking Group plc has announced proposals intended to meet its current and long-term capital requirements. If our shareholders approve these proposals, it will mean that the Group will not participate in the Government Asset Protection Scheme (“GAPS”).

The Group has also released a trading update today. This reinforces the Group’s views expressed in its Interim Results News Release in August that the economic environment in the UK has begun to stabilise. Group margins are also beginning to stabilise, cost reductions for the Group remain on track and overall Group impairments have peaked. Based on the Group’s trading performance during the year to date, the Board now has increased confidence in the Group’s ability to deliver a strongly improving business performance in 2010 and 2011. Further details on the Group’s trading update can be found in paragraph 12 of this letter.

Under the Proposals, which are fully underwritten pursuant to the Underwriting Agreements and the HMT Undertaking to Subscribe, the Group will, subject to Ordinary Shareholder approval: (i) generate at least £7.5 billion in core tier 1 and/or nominal value of contingent core tier 1 capital through the Exchange Offers and/or the related underwriting arrangements; and (ii) raise £13.5 billion (£13 billion net of expenses of the Proposals) by way of a Rights Issue. The Board believes that the Proposals provide a significantly more attractive alternative to participating in GAPS and offer superior economic value to shareholders.

HM Treasury, which holds a 43.4 per cent. holding in Lloyds Banking Group, has undertaken to the Company pursuant to the HMT Undertaking to Subscribe, to procure that the Solicitor for the Affairs of Her Majesty’s Treasury (as nominee for HM Treasury) will vote in favour of the Resolutions which are being put before Ordinary Shareholders to implement the Proposals and on which it is entitled to vote. HM Treasury has also undertaken to participate in full in respect of its rights in the Rights Issue. The Board welcomes HM Treasury’s support. In addition, all the Directors intend to participate in respect of their rights in the Rights Issue.

Alongside the Proposals, the Group has agreed, subject to shareholder approval (excluding HM Treasury), to pay to HM Treasury a fee of £2.5 billion for the benefit to the Group's trading operations arising as a result of HM Treasury proposing to make GAPS available to the Group (the "GAPS Payment") and the HMT Commitment Commission, being a commission of up to £143.7 million in consideration, *inter alia*, of HM Treasury's pre-launch commitment to participate in full in respect of its entitlements under the Rights Issue. Payment of a fee in relation to the benefit to the Group's trading operations as described above is also required by the European Commission as part of the expected state aid remedies. The Group has also agreed to reaffirm the lending commitments that it gave to HM Treasury in March 2009 and to maintain in the 12 months commencing 1 March 2010 similar overall levels of lending as in the 12 months commencing 1 March 2009.

Over the past few months, HM Treasury and the Group have been involved in detailed negotiations with the European Commission in relation to the terms of a restructuring plan which is required in the context of a review resulting from the state aid which has been received by the Group. The Group, together with HM Treasury, has now finalised negotiations with the European Commission around the terms of the restructuring plan and the Group expects to receive a formal decision from the Commission on the state aid position and the restructuring plan by the end of 2009. The Group is confident that the final terms of the restructuring plan will not have a materially negative impact on the Group. However, the Company expects to be prevented from paying dividends on Ordinary Shares for so long as it is prohibited from making coupon payments on certain of its other securities (for a period which is expected to be between 31 January 2010 and 31 January 2012) as a result of the restrictions expected to be required by the European Commission as part of the restructuring plan. Further details on the current state aid position are set out in paragraph 5 of this letter. See also Risk Factor 2.6.

2 The Proposals

The Proposals comprise:

- (i) two separate Exchange Offers, the Non-U.S. Exchange Offer and the U.S. Exchange Offer. Under the Exchange Offers, eligible holders of existing securities will be invited to offer to exchange such Existing Securities for either: (a) new lower tier 2 capital qualifying bonds which will be guaranteed by either the Company and/or Lloyds TSB Bank ("Enhanced Capital Notes" or "ECNs") and which will convert into Ordinary Shares if the Group's published consolidated core tier 1 capital ratio falls to less than 5 per cent.; or (b) in the Non-U.S. Exchange Offer only, an Exchange Consideration Amount which shall be settled in new Ordinary Shares or, at the election of the Company, cash or, in certain limited circumstances more fully described below, Additional ECNs. The Exchange Offers and/or the underwriting arrangements related thereto, will create at least £7.5 billion in core tier 1 and/or nominal value of contingent core tier 1 capital. While the Exchange Offers are underwritten up to £7.5 billion, to the extent that the Exchange Offers are successful and that a market develops in ECNs, the Directors believe it is in the best interests of the Company to have the flexibility to issue further ECNs, to satisfy demand; and
- (ii) an equity raising of £13.5 billion (£13 billion net of the expenses of the Proposals) by way of a Rights Issue. The Rights Issue is fully underwritten pursuant to the Rights Issue Underwriting Agreement and the HMT Undertaking to Subscribe. The Issue Price at which Qualifying Shareholders will be invited to subscribe for New Shares will be determined in advance of the General Meeting and will be the higher of 15 pence per New Share and a discount to the Theoretical Ex-Rights Price ("TERP"), taking account of market conditions and other relevant factors.

The Proposals are fully underwritten pursuant to the Rights Issue Underwriting Agreements and the HMT Undertaking to Subscribe, as discussed further in paragraph 8 of this letter and paragraphs 8.5 and 8.6 of Part XX ("Additional Information") of the Rights Issue Prospectus (as incorporated by reference herein). Each element of the Proposals is conditional on the approval by the Ordinary Shareholders of the Proposals Resolutions (which include the other elements of the Proposals, the HMT Transactions and the Share Subdivision).

Only the Non-U.S. Exchange Offer is being made by means of this document. Documentation in relation to the other components of the Proposals will be sent separately to eligible investors or holders. New Shares issued pursuant to the Exchange Offer will not be in issue on the record date for the Rights Issue and accordingly shall not be eligible for participation in the Rights Issue.

As Holders of Non-Clearing System Existing Securities are required to have a Minimum Existing Holding (which is £1,000 in principal amount of such Non-Clearing System Existing Securities) in order to participate in the Exchange Offer and mindful that certain of the Existing Securities were originally sold to retail investors, the Group intends to put in place arrangements whereby certain Eligible Retail Holders can tender their securities for a cash sum. The Group intends to write to Eligible Retail Holders with details of this proposal in due course. For further information, see Part VI (“The Exchange Offer – Part B – Proposed Invitation to Eligible Retail Holders”) of this document.

3 Rationale and key benefits of the Proposals

Rationale

As discussed further in paragraph 7 of this letter, the Board believes that the economic environment in the UK has begun to stabilise and that the UK economy is now expected to return to growth in 2010. This represents a significantly more positive environment for the Group than the conditions prevailing when the FSA Stress Test was carried out in March 2009, the time at which the Group announced its intended participation in GAPS. As previously announced, the Board continues to expect that the Group’s overall impairments in the second half of the year will be significantly lower than those incurred in the first half, with progressive reductions expected thereafter.

Claims under GAPS could only be made after the First Loss (as defined in paragraph 6 of this letter) had been exceeded. However, based on the Board’s view of the economic outlook for the UK, the Group does not expect that its overall impairments will be high enough to justify entering into GAPS. On this basis the Group would not expect to make any claim were it to participate in GAPS, but would nevertheless still incur significant costs. Even if the UK economy were to deteriorate to the level assumed in the FSA Stress Test, which the Board considers to be unlikely, the Board believes that the net amounts that the Group would have received under GAPS would have been less than the £15.6 billion participation fee which it would have been required to pay to participate in GAPS on the terms announced in March.

Accordingly, the Board is of the view that an alternative approach to meeting its current and long-term capital commitments, in the form of the Proposals, is in the best interests of the Group and its shareholders. The Proposals have been structured in consultation with the FSA. The Board is therefore confident that the Proposals, together with other management actions which the Board considers to be readily actionable, will generate sufficient capital to ensure that the Group no longer requires the asset protection which it would have obtained through participation in GAPS, even if the severe scenario envisaged by the FSA Stress Test were to occur. The Board believes that the Proposals represent a significant step in meeting its long-term objective: that the Group operates as a wholly privately-owned, self-supporting commercial enterprise.

The Board is pleased that it is now able to offer a market-based solution to meet its capital requirements. Such a solution was not available to the Group at the time of the announcement of the Group’s intended participation in GAPS in March 2009.

Key benefits

Were it to participate in GAPS, the Group would benefit from certain loss and regulatory capital relief (as set out in more detail in paragraph 6 of this letter). However, the Board believes that the Proposals offer substantial benefits to shareholders, both on their own merits and as a significantly more attractive option in comparison to GAPS, for the reasons described in more detail below. The Board believes that the Proposals, after taking into account the GAPS Payment, will enhance both earnings per share and returns on equity for the Company relative to GAPS, even if the UK economy deteriorates to the level implied by the FSA Stress Test, which the Board considers to be unlikely.

Substantial increase in non-amortising core tier 1 equity capital: The Rights Issue will raise a total of £13.5 billion of immediately available and non-amortising core tier 1 capital, before expenses of the Proposals. Had the Rights Issue been completed as at 30 June 2009, the Group would have had a pro forma core tier 1 capital ratio of approximately 8.6 per cent., after taking into account expenses of the Proposals and the GAPS Payment. The Board considers that this implied level of core tier 1 capital represents a strong capital foundation to support the future stability and success of the Group.

Moreover, the core tier 1 capital raised by the Rights Issue will be available to absorb potential losses across all of the Group's assets, as opposed to GAPS which would only protect against losses on those particular assets covered by the scheme. The core tier 1 capital which would be created on conversion of the ECNs (if and when they were to convert) would also be available to absorb potential losses across all of the Group's assets.

By contrast, based on the terms announced in March 2009, GAPS would have created an initial £15.6 billion of core tier 1 capital through the subscription by HM Treasury, using the GAPS participation fee, for B Shares. However, the core tier 1 capital benefit of £15.6 billion from the issue of the B Shares would have been largely offset over the subsequent seven-year period by the GAPS participation fee which would have been amortised through the Group's income statement. After taking tax into consideration, this would have reduced core tier 1 capital by £11.2 billion. Furthermore, although GAPS would offer an additional core tier 1 capital benefit by providing capital relief on the risk-weighted assets that would initially have been included in the scheme, this benefit would have reduced significantly as the assets within GAPS matured or otherwise ceased to be covered by GAPS in the short-to-medium term.

Improved capital efficiency and lower shareholder dilution: The ECNs to be issued pursuant to the Exchange Offers have been designed to provide capital to the Group without being dilutive to shareholders at the time of their issue. The ECNs will qualify at the time of their issue as lower tier 2 capital and automatically convert into Ordinary Shares if the Group's published consolidated core tier 1 capital ratio falls to less than 5 per cent., thereby increasing the Group's core tier 1 capital at such time. In the event of a conversion pursuant to this feature, up to £7.5 billion of core tier 1 capital would be generated.¹ This provides protection against unexpected deterioration in the UK economy and the effect that such deterioration would have on the Group's capital ratios. Conversion of the ECNs, and the resulting dilution of Ordinary Shareholders, would only occur if the Group's results (in particular impairments) were significantly worse than the Board currently expects.

By contrast, under GAPS, the B Shares to be issued to HM Treasury, at a cost to HM Treasury of £15.6 billion, would have been available for conversion at HM Treasury's option into 13.6 billion Ordinary Shares, and would have converted automatically if the volume-weighted average trading price of the Ordinary Shares equalled or exceeded 150 pence per Ordinary Share for 20 complete trading days in any 30 trading-day period. Upon such conversion, HM Treasury's ownership of the Company would have increased to approximately 62.3 per cent. from its current level of 43.4 per cent. This substantial dilution to Ordinary Shareholders (other than HM Treasury) would, therefore, have occurred in the event that the Company's share price increased to such levels or if HM Treasury exercised its option to convert to Ordinary Shares.

Cost effective: By implementing the Proposals, although the Group will be required to make the GAPS Payment, the Group will not have to pay the £15.6 billion GAPS participation fee to HM Treasury. In addition, the Company will not issue any B Shares and, accordingly, will not have to pay HM Treasury the proposed annual dividend on the B Shares of at least £1.1 billion, subject to the Company having sufficient distributable reserves.

Improved capital structure: The Proposals are designed to increase both the Group's current and contingent core tier 1 capital. The Exchange Offers provide Holders of each series of Existing Securities and those the subject of the U.S. Exchange Offer with the opportunity to Offer to Exchange their existing holdings for either (a) a series of ECNs or (b) in the Non-U.S. Exchange Offer only an Exchange Consideration Amount which shall be settled in Ordinary Shares (or, at the election of the Group, cash) or, in the limited circumstances described in Part VI (The "Exchange Offer") of this document, Additional ECNs. The ECNs represent a new form of capital which will allow greater efficiency in the Group's capital structure. Each series of ECNs will have terms eligible to qualify as lower tier 2 capital for the Group upon their issue and will automatically convert into Ordinary Shares if the Group's published consolidated core tier 1 ratio falls below 5 per cent. For information on the Group's target consolidated core tier 1 capital ratio, see paragraph 13 below. The conversion price for such conversion will be based on the greater of (i) the volume-weighted average trading price of the Ordinary Shares for the five trading days ending on 17 November 2009 and (ii) 90 per cent. of the closing price of an Ordinary Share on the London Stock Exchange on 17 November 2009, as further adjusted for the impact of the Rights Issue. The FSA has determined that the ECNs will be eligible to be classified as lower tier 2 capital in respect of the FSA's current pillar 1 and 2 regime. The ECNs will also count as core tier 1 for the purposes of the FSA Stress Test when the stressed projection shows below 5 per cent. core tier 1,

which is the trigger for conversion into Ordinary Shares. Therefore, while the ECNs will not be treated as core tier 1 prior to their conversion into Ordinary Shares, they can count as core tier 1 in the context of the FSA's stress testing framework and will count as core tier 1 for pillar 1 and pillar 2 purposes following conversion.

ECNs address coupon and dividend suspensions and capital calls: The rate of interest on each series of ECNs will be set at a premium above the interest rate or dividend rate (as the case may be) of the corresponding series or class of Existing Securities for which the ECNs are exchanged. Holders of certain Existing Securities may be adversely affected by the outcome of negotiations between the Company, HM Treasury and the European Commission. These negotiations have made clear that the European Commission intends to require restrictions on discretionary payments of coupons and dividends and blocks on the exercise of optional early redemption features (capital calls) on Existing Securities and certain other outstanding hybrid capital securities for a period of two years commencing 31 January 2010 (the "Affected Period"). Holders of those Existing Securities whose securities are accepted for exchange for ECNs will receive instruments which contain non-discretionary payment provisions and which, unlike the Existing Securities, have a fixed maturity date. Accordingly, the ECNs will not be affected by these restrictions. It is the current intention of the Company that any decision by it to exercise capital calls in any Existing Securities which remain outstanding following the Affected Period and which belong to a class or series of Applicable Securities, will be made on an economic basis. As used herein, "Applicable Securities" means Existing Securities belonging to a class or series (a) the holders of some of which had their Offer to Exchange accepted in the Exchange Offers in accordance with the Exchange Priorities set out in Appendices 1 and 2 of this document (or, in relation to the U.S. Exchange Offer, the equivalent Exchange Priority) or (b) which appears in the relevant Exchange Priority ahead of the lowest ranking class or series falling within (a) above.

Other advantages of the Exchange Offers to certain Holders: Holders of Existing Securities who receive Ordinary Shares in the Non-U.S. Exchange Offer will receive securities in which there is a liquid trading market. The Ordinary Shares also give holders exposure to the Company. For holders of Existing Securities which are issued by HBOS group companies, the Exchange Offers give them the opportunity to exchange for securities issued or guaranteed by the Company or Lloyds TSB Bank plc. Holders of Existing Securities issued or guaranteed by HBOS or BOS currently have access to the cashflows of HBOS and BOS, respectively and payments on certain such securities are conditional upon the solvency and capital position of HBOS and BOS, respectively. As part of the integration of HBOS into the Group, the business and operations of the enlarged Group may be reconfigured by Lloyds Banking Group, including by means of the transfer of certain businesses and operations out of the HBOS Group or as part of a corporate restructuring.

Improved EU state aid position relative to GAPS: Based on discussions with HM Treasury and the European Commission, the Board believes that, should shareholders adopt the Proposals, the total amount of state aid received by the Group will be significantly lower than would have been expected to be the case had the Group participated in GAPS. The Board believes that this will significantly reduce the severity of the final terms of the restructuring plan required by the European Commission to limit distortions of competition resulting from the state aid received by the Group. An update on the Group's current state aid position is set out in paragraph 5 of this letter.

No additional administrative and operational burden: Participation in GAPS would have required the Group to create an additional administrative and reporting infrastructure that would have been costly, both from a financial perspective and in terms of management time. This would have inhibited the Group's operational and commercial efficiency and flexibility and absorbed substantial Group resources.

Further detailed information on the background to GAPS and the Proposals, including the reasons for the Board concluding that not participating in GAPS is preferable to renegotiating an amended scheme, is set out in the remaining paragraphs of this letter.

4 GAPS Withdrawal Deed; HMT Undertaking to Subscribe

GAPS Withdrawal Deed

Alongside the Proposals, the Company has entered into the GAPS Withdrawal Deed. This agreement sets out the various commitments and terms agreed with HM Treasury including with

respect to the implementation of the expected state aid remedies (for further detail, see paragraph 5 of this letter).

The GAPS Withdrawal Deed provides that the Group shall, subject to state aid approval being obtained and to Resolution 4 being approved by the Ordinary Shareholders (excluding HM Treasury) at the General Meeting, make the GAPS Payment. This is a fee which the Group is proposing to pay to HM Treasury for the benefit to the Group's trading operations arising as a result of HM Treasury proposing to make GAPS available to the Group from the time of the Group's announcement of its intention to participate in GAPS in March 2009 until the announcement of the Proposals. Payment of a fee is also required by the European Commission as part of the expected state aid remedies.

Had the Group not reached agreement with HM Treasury on the amount of the GAPS Payment, the Group would not be able to pursue and implement the Proposals since payment of an agreed fee is a pre-requisite to finalising negotiations with the European Commission in respect of the remedies to address the state aid the Group has received, as described further in paragraph 5 of this letter.

The terms announced in March in connection with the Group's intended participation in GAPS did not address whether a fee should be paid by the Group if it did not ultimately accede to GAPS. Therefore, there is no contractual measure by which the Group can determine the level of such fee. Furthermore, whilst the European Commission has required that a commercially appropriate fee be paid, they have not prescribed the amount. The GAPS Payment has been negotiated between the Company and HM Treasury and is expected to be approved by the European Commission.

In order to determine what level of fee it would be appropriate to pay, the Group sought to quantify the benefit to the Group's trading operations arising as a result of HM Treasury making GAPS available to the Group.

The benefit to the Group has been calculated based on an estimate of the cost of capital for the Group equal to the amount of regulatory capital benefit which the Directors consider would have been received by or generated for the Group through GAPS for the period from the announcement of the Group's intention to participate in GAPS until today's date. Had GAPS not been available to the Group it would have needed to raise further capital. The calculation is difficult and, in some material respects, relies upon subjective judgements of some complexity and uncertainty. However, the amount of such regulatory capital benefit is based on: (i) the reduction of risk-weighted assets which would have arisen by virtue of GAPS; and (ii) the issuance of the B Shares. In order to determine the cost of capital for the Group, a range of outcomes can be derived from long-term historical data as well as relevant market transactions during the period. However, in this case, the Board took into account the fact that, in March 2009, the capital markets were under severe stress and the cost of capital for the Group would have been correspondingly materially higher than might have been available were only long-term historical data being used.

There are several other reasonable and supportable bases on which one can seek to quantify the benefit to the Group, and therefore the appropriate amount of the GAPS Payment. Before coming to an agreement with HM Treasury on the amount of the GAPS Payment based on the cost of capital for the Group, the Group carried out a number of analyses, in addition to the analysis referenced above, and determined a range of amounts which the Board believes reflect the amount of benefit received by the Group. The amount of the GAPS Payment negotiated and agreed with HM Treasury falls within the range of such appropriate amounts, albeit at the high end of that range. However, the Board believes that the GAPS Payment is a proportionate fee and reflects the amount of benefit received by the Group's trading operations.

The Board, having assessed carefully the amount of the GAPS Payment and the substantial benefits of the Proposals, believes that the Proposals, after taking into account the GAPS Payment, will enhance earnings per share and returns on equity for the Company relative to GAPS and, therefore, represent superior economic value to shareholders.

The GAPS Withdrawal Deed also includes undertakings by the Company in respect of certain other matters. In particular, with respect to remuneration, the Company has acknowledged its commitment to the principle that, from 2010, 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 allow the Group to operate on a level playing field with its competitors. In addition, the Company has agreed with HM

Treasury the specific deferral and clawback terms which will apply to any bonuses in respect of the 2009 performance year.

Furthermore, under the GAPS Withdrawal Deed, the Group has agreed to reaffirm the lending commitments which were originally given in the Lending Commitments Deed entered into by the Group on 6 March 2009 in connection with the Group's then proposed participation in GAPS. Under those lending commitments, the Company agreed to increase lending by approximately £14 billion in the 12 months commencing 1 March 2009 to support UK businesses (£11 billion) and homeowners (£3 billion). The Group has agreed to maintain similar levels of lending in the 12 months commencing 1 March 2010, subject to adjustment of the funding commitments by agreement with HM Treasury, the Department for Business, Innovation and Skills and the Department for Communities and Local Government to reflect circumstances at the start of the 12 month period commencing 1 March 2010.

This additional lending in 2009 and 2010 is expressed to be subject to the Group's prevailing commercial terms and conditions (including pricing and risk assessment) and, in relation to mortgage lending, the Group's standard credit and other acceptance criteria (see the summary of the terms of the Lending Commitments Deed in section 8.2 of Part XX ("Additional Information") of the Rights Issue Prospectus (as incorporated by reference herein)). This lending commitment is part of the Group's ongoing support for UK businesses and homeowners.

The Group has additionally pledged its support for various Government schemes designed to provide additional funding for small businesses, and has also published charters for its small business customers making a range of pledges to help firms through the downturn.

HMT Undertaking to Subscribe

Under the HMT Undertaking to Subscribe, subject to certain terms and conditions, HM Treasury has irrevocably undertaken to procure that the Solicitor for the Affairs of Her Majesty's Treasury (as nominee for HM Treasury) (i) votes in favour of all of the Resolutions in accordance with the recommendation of the Board (except for the related party transaction resolution (Resolution 4) approving the HMT Transactions) and (ii) takes up its rights to subscribe for all of the New Shares to which it is entitled under the Rights Issue. The HMT Undertaking to Subscribe is conditional upon, among other things, the passing of Resolution 4 approving the HMT Transactions. Conditional upon (ii) above and the receipt by the Company of the aggregate subscription proceeds payable by HM Treasury, the Company has agreed to pay to HM Treasury (or to such other person as HM Treasury may direct) the HMT Commitment Commission. If HM Treasury had not committed to participate in full in respect of its entitlements under the Rights Issue, then the Group would have sought to ensure that HM Treasury's entitlement under the Rights Issue would have been covered by the underwriting commitments given by the Underwriters in which case an amount similar to that to be paid to HM Treasury would have been expected to have been paid instead to the Underwriters. Further details of the HMT Undertaking to Subscribe are set out in section 7.2 of Part XX ("Additional Information") of the Rights Issue Prospectus (as incorporated by reference herein).

Related Party Transaction

As HM Treasury holds more than 10 per cent. of the voting rights in the Company, HM Treasury is a "related party" for the purposes of the Listing Rules. Making the GAPS Payment and payment of the HMT Commitment Commission (together the "HMT Transactions") are each "related party transactions" (as defined in the Listing Rules). The HMT Transactions must, pursuant to the Listing Rules, each be approved by the Ordinary Shareholders other than the related party, that is HM Treasury. Resolution 4 seeks approval for the HMT Transactions. However, HM Treasury shall not be entitled to vote on such Resolution. HM Treasury has further undertaken, as required by the Listing Rules, to take all reasonable steps to ensure that its associates, if any, will not vote on that Resolution.

5 State Aid

The Group has previously announced that, as a result of HM Treasury's investment in the Company in the context of the placing and open offer undertaken by the Company in November 2008 and the Group's participation in the Credit Guarantee Scheme, the Group has been required to work with HM Treasury to submit a restructuring plan to the European Commission in the context of a state aid review. Any such plan is required to contain measures to limit any competition distortions resulting from the state aid received by the Group.

The European Commission has made it clear that it will require the Group to divest a standalone UK banking business as a condition of obtaining state aid approval and may also require behavioural restrictions as part of the restructuring plan. Accordingly, over the past few months, HM Treasury and the Group have been involved in detailed negotiations with the European Commission in relation to the terms of the restructuring plan (including the ultimate compensatory measures) in order to reach a mutually acceptable solution.

The ultimate decision regarding the approval of the UK Government's state measures, including the terms of the final restructuring plan, will be taken by the College of Commissioners (which the Board expects to occur before the end of 2009), and therefore at this stage there can be no certainty as to the outcome of the state aid proceedings and the content of the final restructuring plan. See Risk Factor 1.3 in the Rights Issue Prospectus (as incorporated by reference herein) for further discussion of the risks relating to the state aid proceedings. The Board expects, however, based on the outcome of its negotiations with HM Treasury and the European Commission, that the final restructuring plan will consist 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 approximately 19 per cent. of the Group's mortgage assets. The business would consist of:
 - the TSB brand;
 - the branches, savings accounts and branch based mortgages of Cheltenham & Gloucester plc;
 - the branches and Branch Based Customers of Lloyds TSB Scotland and a related banking licence;
 - additional Lloyds TSB branches in England and Wales, with Branch Based Customers; and
 - Intelligent Finance,and would need to be disposed of within four years;
- (ii) an asset reduction programme to achieve a £181 billion reduction in a specified pool of assets by 31 December 2014; and
- (iii) behavioural commitments, including commitments:
 - not 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 capital securities from 31 January 2010 until 31 January 2012, which will prevent the Group from paying dividends on its ordinary shares for the same duration.

The assets and liabilities, and associated income and expenses, of the business to be divested (referred to in sub-paragraph (i) above, cannot be determined with precision until nearer the date of sale. However, the Company estimates that, as at 31 December 2008 and after aggregating the elements relating to Lloyds TSB and HBOS, the business to be divested comprised approximately £70 billion of customer lending and £30 billion of customer deposits and, on this basis, approximately £18 billion of risk-weighted assets. For the year ended 31 December 2008, the Board estimates that the business to be divested generated income of approximately £1.4 billion and, after associated direct expenses of approximately £600 million and impairment charges of £300 million, contributed approximately £500 million of profit before tax to the Group.

The Board believes that the restructuring plan as described above is sufficient to obtain approval from the European Commission for the state aid the Group has received, including to the extent that HM Treasury's participation in the placing and compensatory open offer in June 2009 and in the Rights Issue might constitute state aid, as well as any commercial benefit received by the Group following the Group's announcement in March 2009 of its intention to participate in GAPS. The Board is confident that this restructuring plan will not have a materially negative impact on the Group.

The Company has agreed with HM Treasury in the GAPS Withdrawal Deed that the Company will comply with the terms of the European Commission's final decision (see section 7.1 of Part XX ("Additional Information") of the Rights Issue Prospectus (as incorporated by reference herein), for a summary of the GAPS Withdrawal Deed).

6 Background to GAPS

Given the extremely uncertain outlook for the UK economy at the end of 2008 and into 2009, the Group worked with the FSA to identify and analyse the potential impact of an extended and severe UK recession on the Group's regulatory capital ratios. Due to the significant uncertainty at that time over the length and depth of the recession, the Group was tested against the FSA Stress Test.

The FSA has stated that the assumptions underlying the FSA Stress Test were not intended to be a forecast of what was likely to happen, but were designed to be a severe economic scenario. These assumptions included a peak-to-trough fall in UK GDP of over 6 per cent., with growth not returning until 2011 and only returning to trend-rate growth in 2012. They also included assumptions that unemployment would rise to just over 12 per cent., that the UK would experience a 50 per cent. peak-to-trough fall in house prices and that there would be a 60 per cent. peak-to-trough fall in commercial property prices.¹

The conclusion from this exercise was that the Group would need additional capital to enable it to absorb the future impairments anticipated in such a severe scenario.

As a result, on 7 March 2009, the Group announced its intention to participate in GAPS in respect of certain assets with an aggregate par value of approximately £260 billion. This announcement was made, in part, on the basis of the term sheet published by HM Treasury on 26 February 2009, which set out the expected key terms, conditions and operational principles of GAPS.

As consideration for entering into GAPS, it was expected that the Group would pay a participation fee to HM Treasury of £15.6 billion, to be amortised over an estimated seven-year period. The proceeds of this fee would have been applied by HM Treasury in subscribing for an issue of B Shares by the Company. In addition to the participation fee, the Group would also have had to assume 100 per cent. of the losses relating to the first £35 billion of impairments (including historical impairments and write-downs) relating to the assets covered by GAPS (the "First Loss") and a further 10 per cent. of cumulative losses in the whole portfolio of assets thereafter, up until the date specified as the maturity date of each covered asset.

The £15.6 billion of B Shares would have carried an annual dividend to be paid to HM Treasury (subject to the availability of distributable reserves and any restriction on payment of dividends that might have been required by the European Commission) of the greater of 7 per cent. of the issue price of the B Shares and 125 per cent. of any dividend on Ordinary Shares for each period. It was expected that the dividend payable on the B Shares would have been at least £1.1 billion per annum, subject to the availability of distributable reserves.

The entry into GAPS was intended to provide two key benefits to the Group. First, loss relief, particularly in a scenario of severe economic stress such as would be implied by the FSA Stress Test. Once the First Loss had been utilised the Group would not have been exposed to the full amount of losses it might otherwise have incurred in respect of non-performing assets covered by the scheme. Second, the entry into of GAPS was intended to provide regulatory capital relief (or an increase in the Group's core tier 1 capital ratio), arising from a reduction in the Group's risk-weighted assets as well as the generation of new core tier 1 capital through the issuance of the B Shares.

As explained in paragraph 7 of this letter, however, the Board no longer believes that the entry into GAPS, either on the terms announced in March 2009 or on any such revised terms which the Board believes may currently be available to the Group, is in the best economic interests of its shareholders.

7 Background to the Proposals

The Group accepts and agrees with the merits of severe stress testing of regulatory capital, and the Proposals, together with other management actions which the Board considers to be readily actionable, are specifically designed to provide the capital enhancement that the Board believes is necessary to meet the capital requirements of the FSA Stress Test. The Board believes that, since commencing the negotiation of the terms of GAPS, the UK economy has begun to stabilise and is now expected to return to growth in 2010. Accordingly, the Board believes that the likelihood of the UK economy deteriorating to the levels implied by the FSA Stress Test, the assumptions behind which remain unchanged, is now materially lower than was the case in March 2009.

¹ Source: FSA statement on its use of stress tests, FSA/PN/068/2009.

Since March 2009, the Group's core business has proved to be resilient despite the difficult economic circumstances under which it has had to operate.

In addition, the Group has completed detailed credit reviews of the Group's asset portfolio in accordance with the Group's risk management approach, including, most importantly, the legacy HBOS portfolio and file-level credit reviews of the Group's wholesale portfolio. This analysis, in conjunction with management's view of the economic outlook for the UK, underpins the Board's belief that the Group's overall impairments peaked in the first half of the current year, and that overall impairments in the second half of the year will be lower than in the first half.

It also gives the Board a high level of confidence both in the adequacy of the substantial impairments which it has already taken against these assets (including with respect to the Group's commercial and residential property exposures) and in the scale and timing of expected future impairments. Further detail on Group impairments by division is set out below, and in the Interim Management Statement (set out in full in the appendix to Part IX ("Information on the Group") of the Rights Issue Prospectus (as incorporated by reference herein)).

Impairments

A significant proportion of the Group's impairments to date have originated in the Group's Wholesale division, primarily reflecting the significant and rapid decline in commercial property prices and reducing levels of corporate cash flow. The Group's impairments were also impacted by the exposures in certain legacy HBOS portfolios, which were more sensitive to the downturn in the economic environment. Having analysed the portfolio of Wholesale assets, the Board expects a significant overall reduction in the Wholesale impairment charge in the second half of 2009, with a further improving trend in 2010.

In the Retail division, the Company has experienced a change in the mix of impairments in the first half of 2009, as the relative weighting between secured and unsecured impairments returned to a more normal pattern. This change has been more positive than expected due to a variety of factors, including: (i) a stabilising outlook for house prices (which has had a positive impact, primarily on the secured portfolio); (ii) increasing levels of unemployment (which has had a negative impact, primarily on the unsecured portfolio); and (iii) lower than previously expected house repossessions as customers benefit from the low interest rate environment and therefore lower mortgage payments (which has had a positive impact, primarily on the secured portfolio). In light of these trends, and management's expectations with regard to the UK economic outlook, the Board believes that Retail impairments will peak in the second half of 2009, with an improving trend expected in 2010.

In the Wealth and International division, the impairment charge increased in the first half of 2009 reflecting significant provisions against the Group's Irish and Australian commercial real estate portfolios. The Group continues to have ongoing concerns with regard to the outlook for the Irish economy and expects the high level of impairments to continue throughout 2009.

In conclusion, given its view of the economic outlook for the UK, the Board believes that at the Group level, the overall impairment charge has now peaked and that the overall impairment charge in the second half of 2009 will be significantly lower than the overall impairment charge in the first half of 2009, with a significantly improving trend thereafter.

GAPS

Since 7 March 2009, the Company has been working closely with HM Treasury to finalise the terms and conditions and operational mechanics of the Group's participation in GAPS. However, as these terms and conditions were being negotiated, it became clear that the benefits of GAPS to the Group would have been materially less extensive and that the costs to the Group of participating in the scheme, both financially and in terms of management time, would have been materially higher (and the impact on the Group materially more onerous) than was anticipated by the Board at the time its intended participation in GAPS was announced. The following issues in particular are relevant:

Capital Relief: The capital relief arising as a result of the large reduction in risk-weighted assets would have been much lower than had been anticipated by the Board in March 2009. This is due to various factors, including the fact that: (i) in March 2009 significant benefit was expected to arise in respect of the Group's Treasury assets (however, the Group has (with FSA approval) successfully securitised those assets and thereby reduced the risk-weighting of the assets); and (ii) updated, more accurate forecasting has changed the Group's expectations of its quantum of

risk-weighted assets. Further, it has become clear to the Board that the operation of GAPS, as it would apply to the Group, would serve to remove certain assets from coverage within a short period after commencement of the scheme, which would mean the risk-weighted asset relief afforded by GAPS would reduce more quickly than had been anticipated by the Board in March.

GAPS Rules: The development of the detailed scheme rules for GAPS since the GAPS term sheet was published in February 2009 has meant that, in many areas, the scheme rules are more disadvantageous for the Group than the position which had been anticipated by the Board when it announced its initial intention to participate. In practice, the Board believes it is highly likely that the operation of GAPS would have been economically unsatisfactory for the Group.

For example, although it is expected that, under GAPS, losses relating to restructuring events would be covered, the Group may not have benefited from full coverage for certain restructuring and refinancing activities.

Consideration of alternative solutions

These circumstances and improved economic conditions caused the Board to consider alternative solutions that might provide superior economic value to shareholders than entry into GAPS. These potential alternative solutions included:

- renegotiating the commercial terms of GAPS, the type and quantum of assets covered by the scheme and the scheme rules;
- not entering into GAPS at all and instead raising sufficient additional capital on the public capital markets; or
- a combination of either of the above options.

Over the past few months, the Board has had negotiations with HM Treasury and discussions with other relevant authorities in relation to these potential alternatives. The Board gave careful consideration to possible alternative formulations of GAPS, including a possible combination of a smaller version of GAPS with elements of the Proposals. The Board concluded it would not be in the best interests of its shareholders to pursue these alternative formulations for the reasons set out below:

- **State aid:** The alternative formulations of GAPS would, in the view of the Board, constitute additional state aid, which would likely require more severe compensatory measures than is expected to be the case if the Proposals are implemented;
- **Uncertainty of outcome and potential delay:** There was no agreement between the Group and HM Treasury either on the general outline of any specific alternative formulation of GAPS or on the precise commercial terms on which any alternative formulation would have been made available to the Group. While the Board believes that had negotiations continued, they would have been conducted in good faith, it had no certainty as to the outcome of such negotiations or whether or when such negotiations would have been concluded to the parties' mutual satisfaction, whereas the Proposals can be implemented immediately;
- **Shareholder dilution:** The issue of any B Shares in connection with a renegotiated or reduced form of GAPS would still have resulted in dilution for Ordinary Shareholders (other than HM Treasury) and would have increased the percentage holding of HM Treasury in the Company, thereby potentially delaying and making more difficult any eventual orderly exit by HM Treasury from its shareholding;
- **Non-market-based solution:** The Board's aim is that the Group returns to being a self-standing, wholly privately-financed institution as soon as practicable. The Board believes that the Proposals advance this objective more quickly and effectively than would have been the case had the Group participated in GAPS. At the same time, the Proposals improve the quality of the Group's capital structure in a way that is to the long-term benefit of the Group; and
- **Cost and complexity:** The alternative formulations of GAPS would have involved additional administrative and reporting structures which would, in the Board's view, have inhibited the Group's operational and commercial flexibility.

8 Principal terms of the Exchange Offers

The Exchange Offers comprise two separate offers in respect of the Existing Securities issued by various members of the Group, as follows:

- (i) the Non-U.S. Exchange Offer will be conducted in certain countries outside the United States and will be available only to non-U.S. persons, with respect to 52 series of Existing Securities, comprising upper tier 2 securities in an aggregate principal amount of £2.52 billion, innovative tier 1 securities in an aggregate principal amount of £7.68 billion and preference shares (or equivalents) with an aggregate liquidation preference of £4.09 billion; and
- (ii) the U.S. Exchange Offer will be made in certain countries outside the United States and to certain sophisticated holders in the United States who are “qualified institutional buyers” as defined in Rule 144A of the Securities Act with respect to 6 series of existing securities, comprising upper tier 2 securities in an aggregate principal amount of £1.74 billion and innovative tier 1 securities in an aggregate principal amount of £0.46 billion.

Eligible Holders (subject to certain offer restrictions set out in Part VI (“The Exchange Offer – Offer Restrictions” herein), are invited to Offer to Exchange any or all of their Existing Securities that are outstanding, upon the terms and subject to the conditions set out in this document, for (a) ECNs on a par-for-par basis, or (b) in the Non-U.S. Exchange Offer only, the relevant Exchange Consideration (up to a maximum of £1.5 billion) as specified in Part III (“Summary Offering Table and Exchange Options Overview”) of this document, to be delivered in the form of New Shares or, in the sole discretion of the Company, cash (or, in certain limited circumstances, Additional ECNs) and subject as provided below.

The Non-U.S. Exchange Offer will commence on 3 November 2009 and will expire at the Expiration Deadline, expected to be on 20 November 2009, unless the Exchange Offer Period is extended or closed earlier.

Upon expiration of the Exchange Offer Period, the Group will, if it accepts any Offers to Exchange, accept Offers to Exchange in accordance with the ECA Priority (as set out in Appendix 1 (the “ECA Priority”) to this document) when accepting Offers to Exchange for the relevant Exchange Consideration Amount, and in accordance with the ECN Priority (as set out in Appendix 2 (the “ECN Priority”) to this document) when accepting Offers to Exchange for ECNs, and in each case in accordance with the operation of the Exchange Priorities as described in Appendix 3.

Holders in the Non-U.S. Exchange Offer whose Offers to Exchange their Existing Securities have been accepted and who will, following such acceptance, be entitled to ECNs (other than Additional ECNs), will receive ECNs of the relevant series on the Early Settlement Date, expected to be 1 December 2009, in an aggregate principal amount equal to the aggregate principal amount/liquidation preference of the corresponding series of Existing Securities which has been accepted for exchange.

Holders in the Non-U.S. Exchange Offer whose Offers to Exchange their Existing Securities have been accepted and who will, following such acceptance, be entitled, subject as provided below, to New Shares, will (subject to the right of LBG Capital No.1 at its discretion to elect to settle in cash) receive such number of New Shares per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as applicable) in principal amount/liquidation preference of Existing Securities, as is equal to the relevant Exchange Consideration Amount divided by the product of the New Shares Price and the relevant FX Rate (if applicable). The relevant Exchange Consideration will be issued or settled, as the case may be, approximately 90 days after the end of the Offer Period, on the Late Settlement Date, expected to be on or around 18 February 2010. Each Holder will also be entitled to receive an Accrued Interest Payment or Accrued Dividends Payment (as the case may be) on their Existing Securities so accepted for exchange.

The Company may satisfy some or all of the Exchange Consideration Amount (being an amount up to £1.5 billion) in either cash or New Shares, provided that the maximum number of Ordinary Shares to be issued for this purpose will not exceed a number equal to £1.5 billion (or if the total Exchange Consideration Amount is less than £1.5 billion, such lesser amount) divided by 75 per cent. of the Conversion Price. To the extent that the value of all such Ordinary Shares (or any cash paid in lieu thereof) is less than the Exchange Consideration Amount, Holders will receive Additional ECNs on a par-for-par basis as more fully described herein.

The Exchange Offers are fully underwritten by the Dealer Managers as described below. Under such agreement, the Dealer Managers have severally agreed to underwrite one or more further issues of ECNs in an aggregate amount of up to £7.5 billion by 30 April 2010. Such ECNs will have the benefit of a guarantee which will rank *pari passu* with Lower Tier 2 obligations of Lloyds TSB Bank on a winding up of Lloyds TSB Bank and will automatically convert into Ordinary Shares

if the published consolidated core tier 1 ratio of the Group falls to less than 5 per cent. The conversion price applicable to such conversion shall be the Conversion Price.

Details of further terms and conditions of the Exchange Offer including the procedures for participation are set out in Part VI ("The Exchange Offer") of this document.

9 Impact of conversion

The ECNs will convert into Ordinary Shares in certain circumstances. This could have the effect of materially diluting the interests of Ordinary Shareholders at the time of any conversion. **For further details on how such dilution might impact Ordinary Shareholders, please refer to Part B of the Appendix to this Chairman's Letter.**

10 Share Subdivision

Under the Companies Act, it is not permissible for a company to issue shares at a discount to their nominal value, which in respect of the existing Ordinary Shares is currently 25 pence per share. It is proposed that the Company carries out the Share Subdivision which will reduce the nominal value to 10 pence per share in the Rights Issue. This provides the Company and the Joint Bookrunners with greater certainty that the Issue Price will be able to be set at a 38 per cent. to 42 per cent. discount to TERP irrespective of market conditions. The Board believes that the Share Subdivision also provides the Company access to the best available underwriting structure and terms. Although no decision has currently been made as to the Issue Price, in no circumstances will the Issue Price be below 15 pence. As noted in paragraph 8 of this letter, The Issue Price is expected to be announced on 24 November 2009, two days before the General Meeting. The Proposals are conditional on, amongst other things, the completion of the Share Subdivision.

It is proposed that, pursuant to the Share Subdivision, each existing Ordinary Share of 25 pence in issue at the close of business on the date of the General Meeting will be subdivided and converted into one ordinary share of 10 pence in the capital of the Company (a "10p Ordinary Share") and one deferred share of 15 pence in the capital of the company (a "Deferred Share"). The purpose of the issue of Deferred Shares is to ensure that the reduction in the nominal value of the Ordinary Shares does not result in a reduction in the capital of the Company.

Each Ordinary Shareholder's proportionate interest in the Company's issued ordinary share capital will remain unchanged as a result of the Share Subdivision. Aside from the change in nominal value, the rights attaching to 10p Ordinary Shares (including voting and dividend rights and rights on a return of capital) will be identical in all respects to those of existing Ordinary Shares. No new share certificates will be issued in respect of the 10p Ordinary Shares as existing share certificates for existing Ordinary Shares will remain valid in respect of the same number of 10p Ordinary Shares arising from the Share Subdivision. The number of Ordinary Shares of the Company listed on the Official List and admitted to trading on the London Stock Exchange's main market for listed securities shall not change as a result of the Share Subdivision. The Share Subdivision will not affect the Group's or the Company's net assets. Consequently, the market price of a 10p Ordinary Share immediately after completion of the Share Subdivision should, theoretically, be the same as the market price of an Ordinary Share immediately prior to the Share Subdivision.

In addition, it is proposed that, pursuant to the Share Subdivision and as required by Article 3.4.1(i) of the Articles of Association, each existing Limited Voting Share of 25 pence in issue at the close of business on the date of the General Meeting will be subdivided and converted into one limited voting share of 10 pence (a "10p Limited Voting Share") and one Deferred Share. Aside from the change in nominal value, the rights attaching to 10p Limited Voting Shares will be identical in all respects to those of existing Limited Voting Shares. No new share certificates will be issued in respect of the 10p Limited Voting Shares as existing share certificates for existing Limited Voting Shares will remain valid in respect of the same number of 10p Limited Voting Shares arising from the Share Subdivision.

The Deferred Shares created on the Share Subdivision becoming effective will have no voting or dividend rights and, on a return of capital on a winding up of the Company, will have the right to receive the amount paid up thereon only after Ordinary Shareholders have received, in aggregate, any amounts paid up thereon plus £10 million per Ordinary Share.

No share certificates will be issued in respect of the Deferred Shares, nor will CREST accounts of Shareholders be credited in respect of any entitlement to Deferred Shares, nor will they be admitted to the Official List or to trading on the London Stock Exchange or any other investment

exchange. The Deferred Shares shall not be transferable at any time, other than with the prior written consent of the Directors. The rights attaching to, and restrictions upon, the Deferred Shares are set out in Resolution 6.

At the appropriate time, the Company may either repurchase the Deferred Shares, make an application to the High Court for the Deferred Shares to be cancelled, cancel or seek the surrender of the Deferred Shares using such other lawful means as the Directors may determine.

11 Integration of HBOS and synergies update

The Group has completed the planning of its key integration activities and the execution of a broad range of over 100 integration programmes is well underway just over nine months after the Acquisition. The Board is pleased with the progress made so far and remains confident that the Group will meet its commitment to deliver cost synergies and other operating efficiencies from the Acquisition of greater than £1.5 billion per annum by the end of 2011, notwithstanding the business impact of the expected state aid remedies as referred to in paragraph 5 of this letter. The Company's unaudited interim results announcement on 5 August 2009 highlighted that over £100 million of cost synergies were realised by the Group in the first half of 2009. On the basis of first-half initiatives and programmes to be implemented during the second half of the financial year, the Group expects to finish 2009 with annualised run-rate cost savings of £750 million.

The integration of such a large enterprise as HBOS inevitably takes time, but once the full extent of the benefits of such integration are realised, particularly in light of the Group's view that the economic environment in the UK has begun to stabilise, the Board believes the Group will be in a strong position to create significant value for our shareholders.

12 Current trading, trends and prospects

On 5 August 2009, Lloyds Banking Group announced its interim results for the half year ended 30 June 2009. Despite the significant impairments which were announced at that time, the Group was able to demonstrate the continued resilience of its core business.

As announced in the Interim Management Statement, the Group has continued to deliver a good revenue performance in the third quarter of 2009, with similar trends, excluding gains on liability management, to those delivered in the first half of the year. The Group's banking net interest margin has shown clear signs of stabilising in the third quarter of 2009, compared to the first half of the year. The Group continues to deliver a strong cost performance and, in addition, the Board feels that excellent progress has continued to be made on the integration of the enlarged Group, with the achievement of a higher run-rate of cost synergies than those previously announced. The overall run-rate of impairments has slowed in the third quarter of the year. As a result, the Group continues to expect impairments to fall significantly in the second half of 2009, compared to the first half of the year. As previously announced, the Group continues to expect to report a loss before tax for 2009, excluding the impact of the £11.2 billion credit relating to negative goodwill.

As reported in the Interim Results News Release, the Group has identified approximately £300 billion of assets associated with non-relationship lending and investments, including business which is outside its current risk appetite, which may have been earmarked for GAPS protection were the Group to participate in the scheme. The Group's approach to managing these assets would be the same whether or not it moves forward with the Proposals or participates in GAPS. It is the Group's intention to manage such assets for value and run them down over time given the current economic climate. Over the next five years, the Group expects to achieve a reduction in such assets of approximately £200 billion, which equates to approximately 20 per cent. of the Group's total balance sheet assets as at 30 June 2009. The impact of running down those assets is not expected to have a materially negative impact on the Group's income over the five year period.

The full text of the Interim Management Statement is set out in the Appendix to Part IX ("Information on the Group") of the Rights Issue Prospectus (as incorporated by reference herein).

13 Group capital and liquidity policies

In September 2008, the Group set out a target that its core tier 1 capital ratio be in the range of 6 to 7 per cent. Reflecting the increase in expected levels of core tier 1 capital across the industry since that time, the Board's target has now been increased to be more than 7 per cent.

As discussed above, the Rights Issue will raise a total of £13.5 billion of core tier 1 capital before expenses of the Proposals and before the making of the GAPS Payment. Had the Rights Issue

been completed as at 30 June 2009, this would have resulted in a pro forma core tier 1 capital ratio for the Group of approximately 8.6 per cent. after expenses of the Proposals and the GAPS Payment. Further details on the Group's capital resources and liquidity are incorporated by reference in Part XVI ("Capital Resources") of this document.

14 Dividends and dividend policy

As a result of the expected state aid remedies referred to in paragraph 5 of this letter, the Company expects to be prevented from making discretionary (contractually deferrable or waivable) coupon and dividend payments on hybrid capital securities or making voluntary calls on such securities from 31 January 2010 until 31 January 2012. See Risk Factor 2.6 in this document. Should the Group be prevented from making such payments, the Company will be restricted by the terms of such hybrid capital securities from paying dividends on its Ordinary Shares for the same duration of such restrictions. However, the Board intends to resume dividend payments on its Ordinary Shares as soon as market conditions and the financial position of the Group permit, subject to the expiry of the restrictions outlined above. See also Risk Factor 1.5 in the Rights Issue Prospectus (as incorporated by reference herein).

15 Consequences of certain of the Resolutions not being passed

The Board believes that the Proposals provide a more attractive alternative to participating in GAPS and offer superior economic value to shareholders. Should any of the Proposals Resolutions not be approved by the relevant Ordinary Shareholders, the Proposals will not proceed. Should the Proposals not proceed, the Group may not be able to meet the regulatory capital ratios required to be maintained by the FSA in the medium and long term and, should that be the case, will need to raise additional capital.

The options available to the Board in such circumstances are not yet clear. However, it is highly likely that the Group would need to reopen discussions with HM Treasury regarding its possible participation in GAPS or approach the UK Government for alternative support, although there can be no assurance that the Group would be permitted to enter into GAPS or what form any alternative UK Government support may take. Furthermore, there can be no certainty that any such participation by the Group in GAPS would not be on terms which are more onerous to the Company than the terms announced in March 2009. In addition, such participation or alternative support could require additional state aid remedies. If the Group were permitted to participate in GAPS in these circumstances, it would seek to finalise the terms of its participation as soon as practicable, although there can be no assurance that it would be possible to do so in the near future.

16 Overseas Holders

The attention of Overseas Holders who have registered addresses outside the United Kingdom, or who are citizens of or resident or located in countries other than the United Kingdom, is drawn to the information in Part VI ("The Exchange Offer – Offer Restrictions") of this document.

17 UK taxation

Certain information about UK taxation in relation to the Exchange Offer is set out in Part XIX ("Taxation Considerations") of this document. If you are in any doubt as to your tax position, or you are subject to tax in a jurisdiction other than the United Kingdom you should consult your own independent tax adviser without delay.

18 Action to be taken in respect of the Exchange Offer

To participate in the Exchange Offer please refer to the procedures for doing so described in Section 7 ("Procedures for Participating in the Exchange Offer") of "Terms of the Exchange Offer" in Part VI ("The Exchange Offer") of this document.

Holders may contact the Dealer Managers or the Exchange Agent for assistance in answering questions concerning the terms of the Exchange Offer at the respective addresses set out at the end of this document. Questions relating to the procedures for exchange, including the blocking of Existing Securities with CREST, Euroclear or Clearstream, Luxembourg, should be addressed exclusively to the Exchange Agent in the case of procedures relating to Euroclear and Clearstream, Luxembourg, and the relevant Registrar in the case of procedures relating to CREST. All procedures relating to the Exchange Offer may be conducted through, and all information

relating to the Exchange Offer and the Existing Securities (including copies of this Exchange Offer Memorandum) may, subject as set out under Part VI (“The Exchange Offer – Offer Restrictions”) below, be obtained from, the Exchange Agent, the contact details of which are at the end of this document.

If you are in any doubt as to the action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser authorised under the FSMA if you are resident in the UK or, if you are not resident in the UK, from another appropriately authorised independent financial adviser.

19 Further information

You should read the whole of this document and not rely solely on the information set out in the Letter. **In particular, you should read the Risk Factors set out in Part II (“Risk Factors”) of this document.**

Yours sincerely,

Sir Winfried Bischoff
Chairman

APPENDIX TO THE LETTER FROM SIR WINFRIED BISCHOFF, CHAIRMAN OF LLOYDS BANKING GROUP PLC

Capitalised terms used but not otherwise defined in this Appendix shall have the meanings set out in Part XXII ("Definitions") of the Rights Issue Prospectus (as incorporated by reference herein).

Part A Summary of the Resolutions

The Proposals are conditional upon the approval of the Proposals Resolutions by the relevant Ordinary Shareholders at the General Meeting. The Proposals Resolutions, together with other Resolutions intended to update the Directors' authorities to allot shares generally and on a non-pre-emptive basis, to effect a capitalisation issue for holders of Limited Voting Shares, as required by the Articles, and to buy back 6.3673 per cent. preference shares in order to simplify the Group's capital structure, are contained in the notice convening a General Meeting of the Company to be held on 26 November 2009 at Hall 12, The Atrium, National Exhibition Centre, Birmingham B40 1NT at 11.00 a.m. Further details of the Resolutions proposed to be passed at the General Meeting are set out in the notice. The purpose of the General Meeting is to consider, and if thought fit, pass all 12 Resolutions, a summary of each of which is set out below.

Approval of the Share Subdivision

Resolution 1

This Resolution is conditional on the passing of each of the Proposals Resolutions, other than this Resolution 1.

This Resolution will be proposed as an ordinary resolution requiring a simple majority of votes in favour, in accordance with Article 5 of the Articles of Association.

Resolution 1 proposes that the Share Subdivision be approved. As described in paragraph 10 of this letter, pursuant to the Share Subdivision, each existing Ordinary Share of 25 pence in issue at the close of business on the date of the General Meeting will be subdivided into one 10p Ordinary Share and one Deferred Share. Furthermore, as required by Article 3.1.4(1) of the Articles of Association, each existing Limited Voting Share of 25 pence in issue at the close of business on the date of the General Meeting will be subdivided into one 10p Limited Voting Share and one Deferred Share.

The Proposals are conditional on the passing of this Resolution.

Directors' authority to allot shares and rights to subscribe for shares pursuant to the Exchange Offers and the Rights Issue

Resolution 2

This Resolution is conditional on the passing of each of the Proposals Resolutions, other than this Resolution 2.

This Resolution will be proposed as an ordinary resolution requiring a simple majority of votes in favour.

Resolution 2 proposes to authorise the Board to allot shares or grant rights to subscribe for shares, in accordance with section 551 of the 2006 Act:

- (a) up to a nominal amount of £10 billion in connection with the issue of the Enhanced Capital Notes pursuant to the Exchange Offers, its related Underwriting Agreements (which require issues of ECNs in certain circumstances) and other issues of ECNs, and up to a nominal amount of £1.5 billion in connection with the issue of new Ordinary Shares pursuant to the Exchange Offers, which is, in aggregate, equivalent to approximately 168.9 per cent. of the issued equity share capital of the Company as at 30 October 2009, the last practicable date before the publication of this document. While the Exchange Offers are underwritten up to £7.5 billion, to the extent that the Exchange Offers are successful and that a market develops in ECNs, the Directors believe it is in the best interests of the Company to have the flexibility to issue further ECNs, to satisfy demand; and

- (b) up to a nominal amount of £9 billion in connection with the issue of new Ordinary Shares to Qualifying Ordinary Shareholders and to Qualifying LV Shareholders in relation to their entitlements under Article 3.1.3 of the Articles which requires that a 'like offer' to that made to Ordinary Shareholders is made to holders of Limited Voting Shares at the relevant time, which is equivalent to approximately 132.2 per cent. of the issued equity share capital of the Company as at 30 October 2009, the last practicable date before the publication of this document.

No Ordinary Shares are held in treasury. This authority will expire on 25 November 2010.

The Proposals are conditional on the passing of this Resolution.

Directors' authority to allot shares generally

Resolution 3

This Resolution will be proposed as an ordinary resolution requiring a simple majority of votes in favour.

Resolution 3 proposes that, conditional upon the completion of the Rights Issue, the Board will be authorised to exercise all the powers of the Company to allot shares or grant rights to subscribe for or to convert any security into shares, in accordance with section 551 of the 2006 Act, up to a nominal amount of: (I) £3,908,086,780.50 Ordinary Shares; (II) £100,000,000, U.S.\$40,000,000, €40,000,000 and ¥1,250,000,000 in preference shares; and (III) £3,908,086,780.50 in connection with an offer by way of a rights issue. Each of the authorities referred to in (I) and (III) above is equivalent to approximately 57.4 per cent. of the issued ordinary share capital of the Company as at 30 October 2009, the last practicable date before the publication of this document, and approximately 33.3 per cent. of the Highest Enlarged Share Capital.

Corporate governance guidelines prescribe that this authority be limited to one third of a company's issued ordinary share capital (and up to a further one third of a company's issued Ordinary Share capital in connection with a rights issue). As described in paragraphs 8 and 10 of this letter, the Issue Price can in no circumstances be lower than 15 pence per New Share. Accordingly, the number of New Shares to be issued on completion of the Rights Issue is dependent on the Issue Price and may result in the Actual Enlarged Share Capital being lower than the Highest Enlarged Share Capital if the Issue Price is greater than 15 pence per New Share. In order to comply with these corporate governance guidelines, Resolution 3 proposes that this authority be limited to apply to the issue of up to one third of the Actual Enlarged Share Capital and to a further one third of Actual Enlarged Share Capital in connection with an offer by way of a rights issue.

This authority will expire at the end of the annual general meeting of the Company in 2010. Resolution 3 is proposed to replace the authority given at the general meeting of the Company on 5 June 2009, following the completion of the Rights Issue. The Directors have no present intention of exercising the authority granted by this Resolution 3, other than, if necessary, to satisfy the rights of holders of Limited Voting Shares in respect of the May 2009 Placing and Compensatory Offer, and to maintain Lloyds Banking Group's present capital position. The Directors consider it desirable to have the maximum flexibility permitted by corporate governance guidelines to respond to market developments and to enable allotments to take place to finance business needs and opportunities as they arise.

None of the Proposals are conditional on the passing of this Resolution.

Approval of the HMT Transactions

Resolution 4

This Resolution is conditional on the passing of each of the Proposals Resolutions, other than this Resolution 4.

This Resolution will be proposed as an ordinary resolution requiring a simple majority of votes in favour.

As described in paragraph 4 of this letter, the Group has agreed, subject to shareholder approval, to make the GAPS Payment, and to pay the HMT Commitment Commission (together, the "HMT Transactions").

As HM Treasury holds more than 10 per cent. of the voting rights in the Company, HM Treasury is a "related party" for the purposes of the Listing Rules, and the HMT Transactions are each "related party transactions" (as defined in the Listing Rules). Rule 11.1.7(3) of the Listing Rules

provides that a related party transaction entered into by a listed company must be approved by its shareholders other than the related party. Therefore, in accordance with the Listing Rules, HM Treasury shall not be entitled to vote on Resolution 4. HM Treasury has further undertaken to take all reasonable steps to ensure that its associates, if any, will not vote on Resolution 4.

Resolution 4 proposes that, conditional on the passing of the Proposals Resolutions, the HMT Transactions be approved.

The Proposals are conditional on the passing of this Resolution.

Capitalisation issue of New Limited Voting Shares

Resolution 5

This Resolution will be proposed as an ordinary resolution requiring a simple majority of votes in favour.

Following the capitalisation issue to Ordinary Shareholders which became effective on 11 May 2009 (the "Capitalisation Issue"), the Company is required to issue new Limited Voting Shares to holders of Limited Voting Shares in accordance with article 122 of the Articles on the same basis as new Ordinary Shares were issued to the then Ordinary Shareholders of the Company pursuant to the Capitalisation Issue.

Resolution 5 proposes that, pursuant to article 122 of the Articles, £493,420.75 standing to the credit of any of the Company's share premium account, capital redemption reserve or other undistributable reserve be immediately capitalised for the purposes of paying up 1,973,683 New Limited Voting Shares and that the Board be authorised to issue such shares pursuant to Section 551 of the 2006 Act to the holders of Limited Voting Shares on the Record Date *pro rata* to their existing holdings.

None of the Proposals are conditional on the passing of this Resolution.

Amendment to the Articles of Association to incorporate the rights attaching to the Deferred Shares

Resolution 6

This Resolution is conditional on the passing of each of the Proposals Resolutions, other than this Resolution 6.

This Resolution will be proposed as a special resolution requiring a 75 per cent. majority of votes in favour.

Resolution 6 proposes that the Articles of Association be amended to include a new sub-article specifying the limited rights attaching to the Deferred Shares to be issued pursuant to the Share Subdivision.

The Deferred Shares created on the Share Subdivision becoming effective will have no voting or dividend rights and, on a return of capital on a winding up of the Company, will have the right to receive the amount paid up thereon only after Ordinary Shareholders have received, in aggregate, any amounts paid up thereon plus £10,000,000 per Ordinary Share.

The Deferred Shares shall not be transferable at any time, other than with the prior written consent of the Directors. Further details on the rights attaching to, and restrictions upon, the Deferred Shares are set out in Resolution 6.

The Proposals are conditional on the passing of this Resolution.

Market purchases of preference shares in relation to the Exchange Offers

Resolution 7

This Resolution is conditional on the passing of each of the Proposals Resolutions, other than this Resolution 7.

This Resolution will be proposed as a special resolution requiring a 75 per cent. majority of votes in favour.

Resolution 7 proposes to grant the Company authority to repurchase the Preference Shares in connection with the Exchange Offers, in accordance with section 701 of the 2006 Act but subject to certain parameters as set out in the resolution itself. This authority is required as the Exchange Offers for Preference Shares technically comprise two individual transactions; the repurchase of the

relevant Preference Shares for cash and the issue of the relevant exchange securities in consideration for this cash. This authority will expire on 25 November 2010.

The Proposals are conditional on the passing of this Resolution.

Off-market purchases of preference shares from Equiniti in relation to the Exchange Offers

Resolution 8

This Resolution is conditional on the passing of each of the Proposals Resolutions, other than this Resolution 8.

This Resolution will be proposed as a special resolution requiring a 75 per cent. majority of votes in favour.

In order to allow the Company the flexibility to effect off-market purchases of Existing Securities in relation to the Exchange Offers and otherwise, the Board is seeking approval, as required by Section 694 of the 2006 Act, of the terms of the contract (as set out below) relating to such off-market purchases.

Resolution 8 proposes that the terms of a proposed contract between Lloyds Banking Group and Equiniti be approved in accordance with section 694 of the 2006 Act. This contract is necessary for the off-market purchase of certain series of Existing Preference Shares which are put on trust with Equiniti pursuant to the terms of the Exchange Offers ("Equiniti Existing Preference Shares"), a draft of which will be produced at the General Meeting and will be made available for inspection at the Company's registered office for not less than 15 days before the General Meeting.

Pursuant to the terms of the proposed contract, Equiniti has the right to require the Company to purchase, by way of an off-market purchase, any Equiniti Existing Preference Shares held by Equiniti as trustee for holders of the Equiniti Existing Preference Shares, at any time during the 18 months following the date of the General Meeting at a purchase price equal to; (i) in the case of an offer by a holder to exchange its Equiniti Existing Preference Shares for ECNs, at the price as set out in Appendix 8 of the Non-US Exchange Offer Memorandum; or (ii) in the case of an offer by a holder to exchange its Equiniti Existing Preference Shares for the relevant Exchange Consideration Amount, the relevant Exchange Consideration Amount as set out in Part III of the Non-US Exchange Offer Memorandum.

This authority will expire on 25 May 2011.

The Proposals are conditional on the passing of this Resolution.

Off-market purchase of preference shares from BNY Corporate Trustee Services Limited ("BNY Trustee") in relation to the Exchange Offers

Resolution 9

This Resolution is conditional on the passing of each of the Proposals Resolutions, other than this Resolution 9.

This Resolution will be proposed as a special resolution requiring a 75 per cent. majority of votes in favour.

As described in Resolution 8 above, in order to allow the Company the flexibility to effect off-market purchases of certain series of Existing Preference Shares in relation to the Exchange Offers and otherwise, the Board is seeking approval, as required by Section 694 of the 2006 Act, of the terms of the contract (as set out below) relating to such off-market purchases.

Resolution 9 proposes that the terms of a proposed contract between Lloyds Banking Group and BNY Trustee be approved in accordance with section 694 of the 2006 Act. This contract is necessary for the off-market purchase of certain Existing Preference Shares which are put on trust with BNY Trustee pursuant to the terms of the Exchange Offers (the "BNY Existing Preference Shares") a draft of which will be produced at the General Meeting and will be made available for inspection at the Company's registered office for not less than 15 days before the General Meeting.

Pursuant to the terms of the proposed contract, BNY Trustee has the right to require the Company to purchase, by way of off-market purchase, any BNY Existing Preference Shares held by BNY Trustee as trustee for holders of the BNY Existing Preference Shares at any time during the 18 months following the date of the General Meeting at a purchase price equal to (i) in the case of an offer by a holder to exchange its BNY Existing Preference Shares for ECNs, at the price as set

out in Appendix 8 of the Non-US Exchange Offer Memorandum; or (ii) in the case of an offer by a holder to exchange its BNY Existing Preference Shares for the relevant Exchange Consideration Amount, the relevant Exchange Consideration Amount as set out in Part III of the Non-US Exchange Offer Memorandum; or (iii) in respect of BNY Existing Preference Shares not listed in Appendix 8 or Part III of the Non-US Exchange Offer Memorandum, at a price of 70 cents per US\$1 of liquidation preference of the relevant BNY Existing Preference Shares.

This authority will expire on 25 May 2011.

The Proposals are conditional on the passing of this Resolution.

6.3673 per cent. Preference Share off-market buy-back from two service companies affiliated to Allen & Overy LLP

Resolution 10

This Resolution will be proposed as a special resolution requiring a 75 per cent. majority of votes in favour.

Resolution 10 proposes to approve the terms of a proposed contract between Lloyds Banking Group and Allen & Overy Service Company Limited and Fleetside Legal Representative Services Limited (two service companies wholly-owned by Allen & Overy LLP) (the "Sellers"), in accordance with section 694 of the 2006 Act in relation to the purchase of two 6.3673 per cent. non-cumulative fixed-to-floating rate preference shares of £0.25 each (the "6.3673% Preference Shares"), a draft of which will be produced at the General Meeting and will be made available for inspection at the Company's registered office for not less than 15 days before the General Meeting. Pursuant to the terms of the proposed contract, the Sellers each agree to sell, and the Company agrees to purchase the 6.3673% Preference Shares for the consideration of £2. This repurchase is not connected with the Proposals in any way but helps the Company to manage its capital structure efficiently. The 6.3673% Preference Shares were issued to the Sellers in exchange for HBOS Preference Shares that were issued to them with a view to avoiding legal uncertainty around voting procedures in respect of the scheme of arrangement sanctioned by the Court on 12 January 2009 that provided for the replacement of HBOS preference shares with Lloyds Banking Group preference shares.

This authority will expire on 25 November 2010.

None of the Proposals are conditional on the passing of this Resolution.

Disapplication of pre-emption rights pursuant to the Proposals

Resolution 11

This Resolution is conditional on the passing of each of the Proposals Resolutions, other than this Resolution 11.

This Resolution will be proposed as a special resolution requiring a 75 per cent. majority of votes in favour.

Resolution 11 proposes that, without prejudice to any existing power, the Board be empowered to allot equity securities (as defined in section 560 of the 2006 Act):

- (a) up to a nominal amount of £10 billion in relation to the Exchange Offers and other issues of ECNs and up to a nominal amount of £1.5 billion in relation to the issue of new Ordinary Shares in relation to the Exchange Offer; and
- (b) up to a nominal amount of £9 billion in relation to the Rights Issue,

wholly for cash or otherwise, which is equivalent to approximately 301 per cent. of the issued equity share capital of the Company as at 30 October 2009, being the last practicable date before the publication of this document, as if section 561 of the 2006 Act, to the extent applicable, did not apply to any such allotment.

This Resolution will allow the Company flexibility to allot equity securities pursuant to the Proposals without the need to comply with the strict requirements of the statutory pre-emption provisions.

This power will expire on 25 November 2010.

The Proposals are conditional on the passing of this Resolution.

Disapplication of pre-emption rights generally

Resolution 12

This Resolution will be proposed as a special resolution requiring a 75 per cent. majority of votes in favour.

Resolution 12 proposes, subject to the completion of the Rights Issue, and in addition to the specific power conferred on the Directors by Resolution 3, to renew the power of the Board to issue shares for cash, for example in a rights issue, or to persons other than existing holders of Ordinary Shares, up to a nominal value of £586,213,017, which is equivalent to approximately 8.6 per cent. of the issued Ordinary Share capital of the Company as at 30 October 2009, the last practicable date before the publication of this document, and approximately 5 per cent. of the Highest Enlarged Share Capital.

Corporate governance guidelines prescribe that this authority be limited to the issue of up to 5 per cent. of a company's issued ordinary share capital. As described in paragraphs 8 and 10 of Part VI ("Letter from Sir Winfried Bischoff, Chairman of Lloyds Banking Group plc") of the Rights Issue Prospectus, the Issue Price can in no circumstances be lower than 15 pence per New Share. Accordingly, the number of New Shares to be issued on completion of the Rights Issue is dependent on the Issue Price and may result in the Actual Enlarged Share Capital being lower than the Highest Enlarged Share Capital if the Issue Price is greater than 15 pence per New Share. In order to comply with these corporate governance guidelines, Resolution 12 proposes that this authority be limited to the issue of up to 5 per cent. of the Actual Enlarged Share Capital.

If the Company were to purchase Ordinary Shares and hold them in treasury, Resolution 12 would give the Board power to sell these shares for cash to persons other than existing holders of Ordinary Shares, subject to the same limit that would apply to issues of Ordinary Shares for cash to these persons. In addition, Resolution 12 authorises the Board to issue shares for cash in connection with a rights issue on a non-pre-emptive basis.

The Board considers the authority in Resolution 12 to be appropriate in order to allow the Company flexibility to finance business opportunities or to conduct a pre-emptive offer or rights issue without the need to comply with the strict requirements of the statutory pre-emption provisions and, if necessary, to satisfy the rights of holders of Limited Voting Shares in respect of the May 2009 Placing and Compensatory Open Offer.

In applying the power to be granted by virtue of Resolution 12, the Company intends to adhere to the provisions in the Pre-emption Group's Statement of Principles not to allot shares for cash on a non pre-emptive basis (other than pursuant to the Proposals or a separate rights issue or pre-emptive offer) in excess of an amount equal to 7.5 per cent. of the total issued ordinary share capital of the Company within a rolling three-year period without prior consultation with shareholders.

This authority will expire at the end of the annual general meeting of the Company in 2010. Resolution 12 is proposed to replace the power given at the general meeting of the Company on 5 June 2009, following the completion of the Rights Issue.

None of the Proposals are conditional on the passing of this Resolution.

Part B

Impact of conversion

The Group is proposing to raise £13.5 billion by way of the Rights Issue. The Rights Issue is fully underwritten pursuant to the Rights Issue Underwriting Agreement and the HMT Undertaking to Subscribe. The Issue Price at which Qualifying Shareholders will be invited to subscribe for New Shares will be set by the Company and the Joint Bookrunners in advance of the General Meeting and will be at a discount to TERP, taking account of market conditions and other relevant factors, including the results of the Exchange Offers, at the time. The Issue Price is expected to be announced on 24 November 2009. In no circumstances, however, can the Issue Price be below 15 pence. Accordingly, following the Rights Issue, the maximum number of Ordinary Shares which the Company will have in issue will be 117,161,682,366. Save for the issue of Ordinary Shares to Qualifying LV Shareholders, Qualifying Shareholders who subscribe in full for their entitlements under the Rights Issue will own the same percentage of the issued ordinary share capital of the Company as they did prior to the Rights Issue.

The ECNs will only convert into new Ordinary Shares in the event that the Group's published consolidated core tier 1 capital ratio falls below 5 per cent. In the event of the conversion of the ECNs (assuming the aggregate principal amount of ECNs issued pursuant to the Exchange Offers is the underwritten amount of £7.5 billion), the number of new Ordinary Shares to be issued would be equal to £7.5 billion divided by the ECN Conversion Price. The Group expects to publish its core tier 1 capital ratio twice yearly, and additionally, as otherwise required by the FSA or in order to meet all applicable disclosure requirements.

As part of the Non-U.S. Exchange Offer, holders of certain existing eligible securities may elect to exchange for an Exchange Consideration Amount, to be settled in new Ordinary Shares, or, at the election of the Company, cash or, in certain limited circumstances, ECNs. In the event that holders of such existing eligible securities elected to receive the Exchange Consideration Amount and the maximum number of Ordinary Shares that could be issued as a result were so issued and there was no additional allocation of ECNs, then the number of new Ordinary Shares to be issued in satisfaction of the Exchange Consideration Amount would be equal to £1.5 billion divided by 75 per cent. of the Conversion Price.

While the Board does not anticipate that the Group's published core tier 1 capital ratio will fall to less than 5 per cent. and therefore trigger the automatic conversion of the ECNs into new Ordinary Shares, if circumstances were to change such that the Board considered this to be a more likely outcome, then the Board could implement a number of management actions that it believes are readily actionable and would seek to generate such additional core tier 1 capital as would avoid the conversion of the ECNs.

PART VI

THE EXCHANGE OFFER

PART A – Overview of the Exchange Offer

The following does not purport to be complete and is qualified in its entirety by the more detailed information provided elsewhere in this Exchange Offer Memorandum. Capitalised terms shall, unless the context otherwise requires, have the meanings set out under Part XXIV (“Definitions”) of this Exchange Offer Memorandum.

Exchange Offer

LBG Capital No.1 invites all Holders (subject to certain offer restrictions set out in “Offer Restrictions” below) to Offer to Exchange any or all of their Existing Securities that are outstanding, upon the terms and subject to the conditions set out in this Exchange Offer Memorandum.

Holders of the Existing Securities are invited to Offer to Exchange such securities for (i) ECNs or (ii) the relevant Exchange Consideration as specified in Part III (“Summary Offering Table and Exchange Options Overview”) of this Exchange Offer Memorandum, to be delivered in the form of New Shares and/or cash and/or, in the limited circumstances described under “Insufficiency of New Shares: Additional ECNs” below, Additional ECNs. Holders should submit an Offer to Exchange their Existing Securities specifying the relevant Exchange Option in accordance with which they wish to participate in the Exchange Offer, as further described herein. The interaction between the Exchange Options and the Exchange Priorities are further described herein (see Appendix 3 (“Interaction of Exchange Options and Exchange Priorities”) to this document).

Insufficiency of New Shares: Additional ECNs

If, having determined the New Shares Price, the number of New Shares to be issued by Lloyds Banking Group in satisfaction of the aggregate Exchange Consideration Amount would exceed the Maximum Approved Amount, Holders whose Offers to Exchange have been accepted pursuant to the ECA Priority will first be allocated (according to their ranking in the ECA Priority) New Shares and/or cash until all New Shares comprising the Maximum Approved Amount have been issued and/or delivered, and thereafter Additional ECNs.

For these purposes, the Maximum Approved Amount will be calculated in accordance with paragraph 1(m) of the Terms of the Exchange Offer set out in this Exchange Offer Memorandum.

Issue of ECNs

Holders of Holdco Existing Securities who Offer to Exchange such Existing Securities for ECNs will, if their Offer to Exchange is accepted, receive ECNs issued by LBG Capital No.1 and guaranteed by Lloyds Banking Group. Holders of Opco Existing Securities who Offer to Exchange such Existing Securities for ECNs will, if their Offer to Exchange is accepted, receive ECNs issued by LBG Capital No.2 and guaranteed by Lloyds TSB Bank. Any New Shares issued in connection with the Exchange Offer will be issued by Lloyds Banking Group.

Separate U.S. Exchange Offer

In addition, LBG Capital No.1 has separately invited, pursuant to the U.S. Exchange Offer, certain sophisticated holders of six series of existing securities who are “qualified institutional buyers” (“QIBs”) as defined in Rule 144A of the Securities Act, to Offer to Exchange any or all of their existing securities that are outstanding, upon the terms and subject to the conditions set out in the U.S. Exchange Offer Memorandum.

Exchange Offer Period	The Exchange Offer will commence on 3 November 2009 and will expire at the Expiration Deadline, unless the Exchange Offer Period is extended or closed earlier by LBG Capital No.1 with the prior consent of the Dealer Managers (such consent not to be unreasonably withheld or delayed), as described herein.
Purpose of the Exchange Offer	A discussion of the rationale for the Exchange Offer, and the reasons why Holders of Existing Securities should participate in the Exchange Offer, is set out in Part V (“Letter from Sir Winfried Bischoff, Chairman of Lloyds Banking Group plc”) of this Exchange Offer Memorandum.
Exchange Priorities	Upon expiration of the Exchange Offer Period, the relevant ECN Issuer or Lloyds Banking Group (as the case may be) will, if it accepts any Offers to Exchange, accept Offers to Exchange in accordance with the ECA Priority (as set out in Appendix 1 (“ECA Priority”) to this Exchange Offer Memorandum) when accepting Offers to Exchange for the relevant Exchange Consideration Amount, and in accordance with the ECN Priority (as set out in Appendix 2 (“ECN Priority”) to this Exchange Offer Memorandum) when accepting Offers to Exchange into ECNs, in each case in accordance with the operation of the Exchange Priorities described in Appendix 3 (“Interaction of Exchange Options and Exchange Priorities”) to this Exchange Offer Memorandum.
Acceptance of Offers to Exchange	<p>The relevant ECN Issuer or Lloyds Banking Group (as the case may be) will accept Offers to Exchange in accordance with the relevant Exchange Priority and as described in Appendix 3, until either (i) in the case of each Exchange Priority, it has accepted all of the Existing Securities validly offered and eligible for exchange; (ii) in the case of the ECN Priority, the aggregate principal amount of all series of ECNs to be issued in exchange for Existing Securities is the maximum such amount that can be issued without exceeding the Maximum ECN New Issue Amount; or (iii) in the case of the ECA Priority, the aggregate value of Exchange Consideration to be issued and paid in exchange for Existing Securities is the maximum such amount that can be issued and paid without exceeding the Maximum Exchange Consideration Amount. Where the acceptance in accordance with the relevant Exchange Priority of all valid Offers to Exchange of a particular series or class of Existing Securities (being the lowest priority series or class of Existing Securities being accepted in accordance with the relevant Exchange Priority) would require a greater aggregate amount of the relevant series or class of New Securities to be issued, or cash to be paid, than the Maximum ECN New Issue Amount or the Maximum Exchange Consideration Amount, as the case may be, in the case of that particular series or class of Existing Securities only, the relevant ECN Issuer or Lloyds Banking Group (as the case may be) will accept such Offers to Exchange on a <i>pro rata</i> basis, and the relevant ECN Issuer or Lloyds Banking Group (as the case may be) will not accept any Offers to Exchange in respect of any series or class of Existing Securities ranking after such series or class in accordance with the relevant Exchange Priority.</p> <p>Offers to Exchange the Existing Preference Shares and the Saphir Existing Securities will be made to, and may be accepted by, Lloyds Banking Group (as further detailed in “Terms of the Exchange Offer – Exchange Offer” below). Offers to Exchange Holdco Existing Securities, other than the Existing Preference Shares, will be made to, and may be accepted by, LBG Capital</p>

No.1. Offers to Exchange Opco Existing Securities will be made to, and may be accepted by, LBG Capital No.2. An Offer to Exchange will only be considered eligible for acceptance by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) if the Exchange Offer Conditions have been satisfied. Neither ECN Issuer nor Lloyds Banking Group has any obligation to Holders to accept any or all Offers to Exchange and the relevant ECN Issuer or Lloyds Banking Group (as the case may be) may decide not to accept Offers to Exchange for any reason.

New Issue Amount

In respect of each series of ECNs, the principal amount of such series of ECNs to be issued by the relevant ECN Issuer, and in respect of the New Shares, the aggregate value of New Shares to be issued by Lloyds Banking Group, in each case to be delivered in exchange for the relevant series or class of Existing Securities pursuant to the Exchange Offer (the "New Issue Amount"), which will be determined by LBG Capital No.1 following the expiration of the Exchange Offer Period, is intended to be announced by Lloyds Banking Group, acting on behalf of itself and the ECN Issuers, on the Results Announcement Date.

Maximum ECN New Issue Amount

The maximum aggregate principal amount of all series of ECNs (excluding any Additional ECNs) to be issued by the ECN Issuers on the Early Settlement Date pursuant to the Exchange Offer, being an amount equal to £5.5 billion, save that LBG Capital No.1 shall have the ability, with the prior consent of the Dealer Managers (such consent not to be unreasonably withheld or delayed), to increase or waive such amount in its sole discretion. For the purposes of accepting Offers to Exchange non-sterling denominated series or classes of Existing Securities up to the Maximum ECN New Issue Amount, the relevant principal amount/liquidation preference of such Existing Securities shall be converted into pounds sterling at the relevant Fixed Rate of Exchange, as calculated by the Lead Dealer Managers on 17 November 2009.

Maximum Exchange Consideration Amount

The maximum aggregate Exchange Consideration Amount to be issued and/or paid in exchange for Existing Securities accepted pursuant to the ECA Priority (on the assumption that such amount will be issued and/or paid entirely in the form of New Shares and/or cash on the basis described herein), being an amount equivalent to £1.5 billion, save that LBG Capital No.1 shall have the ability, with the prior consent of the Dealer Managers (such consent not to be unreasonably withheld or delayed), to increase or waive such amount in its sole discretion. The maximum aggregate principal amount/liquidation preference of Existing Securities to be accepted pursuant to the ECA Priority will be determined by reference to such Maximum Exchange Consideration Amount, in that no Existing Securities will be accepted pursuant to the ECA Priority beyond the point at which the aggregate Exchange Consideration Amount to be issued and/or paid in exchange for all Existing Securities so accepted would (on the assumption such amount will be issued and/or paid entirely in New Shares and/or cash on the basis described herein) exceed the Maximum Exchange Consideration Amount. For the purposes of accepting Offers to Exchange non-sterling denominated series or classes of Existing Securities up to the Maximum Exchange Consideration Amount, the relevant principal amount/liquidation preference of such Existing Securities shall be converted into pounds sterling at the relevant Fixed Rate of Exchange, as calculated by the Lead Dealer Managers on 17 November 2009.

For the avoidance of doubt, Existing Securities accepted pursuant to the ECA Priority in accordance with the foregoing will be exchanged for New Shares and/or cash on the basis described herein or, in the limited circumstances provided herein, Additional ECNs on a par-for-par basis.

Maximum Approved Amount

The Maximum Approved Amount is calculated as follows:

$$MAA = \frac{TECA}{75\% \times CP}$$

where:

“CP” means the Conversion Price;

“MAA” means Maximum Approved Amount; and

“TECA” means in respect of Offers for Exchange accepted for the Exchange Consideration, the total such Exchange Consideration Amount, provided this amount shall not exceed £1.5 billion.

Exchange Ratio

Holders whose Offers to Exchange their Existing Securities have been accepted by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) and who will, following acceptance, be entitled to ECNs (or in certain limited circumstances, Additional ECNs), will receive ECNs (or Additional ECNs) of the relevant series specified in Part III (“Summary Offering Table and Exchange Options Overview”) of this Exchange Offer Memorandum, in an aggregate principal amount equal to the aggregate principal amount/liquidation preference of the corresponding series of Existing Securities which has been accepted for exchange.

Holders whose Offers to Exchange their Existing Securities have been accepted by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) in exchange for New Shares, will receive such number of New Shares per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as applicable) in principal amount/liquidation preference of Existing Securities which are accepted for exchange, equal to the relevant Exchange Consideration Amount divided by the product of the New Shares Price and the relevant FX Rate (if applicable).

Holders whose Offers to Exchange have been accepted by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) in exchange for cash, will receive a cash amount equal to the relevant Exchange Consideration Amount per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as applicable) in principal amount/liquidation preference of Existing Securities which are accepted for exchange, payable in the same currency as the relevant series or class of Existing Securities which has been accepted for exchange.

In certain limited circumstances, Holders whose Offers to Exchange have been accepted for the relevant Exchange Consideration Amount may receive a combination of New Shares and/or Additional ECNs and/or cash.

Accrued Interest and Accrued Dividends

On the applicable Settlement Date, the relevant ECN Issuer or Lloyds Banking Group (as the case may be) will pay, or procure that there is paid, to all Holders whose Offers to Exchange have been accepted, an amount in cash equal to interest or dividends (as the case may be) accrued and unpaid on such Existing Securities from (and including) the immediately preceding interest payment date, dividend payment date or dividend period end date

(as the case may be) in respect of the Existing Securities up to (but excluding) the relevant Settlement Date.

Fractional Entitlements

If a Holder would be entitled to receive a number of New Shares which is not a whole number, any fractional entitlements will be rounded down to the nearest whole number and Holders will not receive any such fractional entitlements. For the purposes of such calculation, the number of New Shares to be issued shall be calculated on the basis of the aggregate principal amount/liquidation preference of the Existing Securities which have been accepted for exchange by the relevant ECN Issuer or Lloyds Banking Group (as the case may be).

Minimum Existing Holding

Offers to Exchange Non-Clearing System Existing Securities must be made in respect of an aggregate principal amount/liquidation preference of at least £1,000.

Conversion Price

The Conversion Price will be calculated by the Lead Dealer Managers by (i) taking the greater of (a) the arithmetic average of the daily per share Volume-Weighted Average Price of Ordinary Shares on the London Stock Exchange (calculated in sterling), as displayed under the heading "Bloomberg VWAP" on Bloomberg Page "LLOY <equity> AQR" (or its equivalent successor page if such page is not available), for each of the five consecutive trading days commencing on (and including) 11 November 2009 and ending on (and including) 17 November 2009 and (b) 90 per cent. of the closing price of an Ordinary Share on the London Stock Exchange on 17 November 2009 (the "Unadjusted Conversion Price"), and (ii) multiplying the Unadjusted Conversion Price by the Rights Issue Factor.

The Unadjusted Conversion Price will be announced on 18 November 2009, and the Conversion Price will be announced on 27 November 2009. The Conversion Price shall apply to all series of ECNs and shall be subject to adjustment from time to time in accordance with the ECN Deed Poll.

Fixed Rate of Exchange

In respect of Existing Securities that are denominated in a currency other than pounds sterling, the Fixed Rate of Exchange shall be determined by the Lead Dealer Managers by reference to the spot rate of exchange for the relevant currency prevailing at or about noon (London time) on 17 November 2009 as appearing on or derived from the Relevant Page, and will be announced in the UCP Announcement.

New Shares Price

The New Shares Price will be calculated by the Lead Dealer Managers on 11 February 2010 and is equal to the greater of (i) the arithmetic average of the daily per share Volume-Weighted Average Price of Ordinary Shares on the London Stock Exchange (calculated in sterling), as displayed under the heading "Bloomberg VWAP" on Bloomberg Page "LLOY <equity> AQR" (or its equivalent successor page if such page is not available), for each of the five consecutive trading days commencing on (and including) 5 February 2010 and ending on and including 11 February 2010 and (ii) 90 per cent. of the closing price of an Ordinary Share on the London Stock Exchange on 11 February 2010. The New Shares Price will be announced on 12 February 2010 in the Exchange Consideration Announcement.

Results Announcement

On the Results Announcement Date, Lloyds Banking Group, acting on behalf of itself and the ECN Issuers, intends to announce (i) whether valid Offers to Exchange pursuant to the Exchange Offer are accepted; (ii) the aggregate principal amounts of each series or class of Existing Securities that each

ECN Issuer or Lloyds Banking Group (as the case may be) will be accepting for exchange; (iii) where Holders have Offered to Exchange Existing Securities pursuant to Exchange Options 3 or 4, whether the relevant Holders will receive ECNs or the relevant Exchange Consideration Amount (or both); (iv) whether Offers to Exchange for each series or class of Existing Securities are to be accepted in full (if at all) or on a *pro rata* basis and, where accepted on a *pro rata* basis, the extent to which such Offers to Exchange will be scaled; (v) each New Issue Amount; (vi) the Early Settlement Date; and (vii) the Late Settlement Date.

Exchange Consideration Announcement

On 12 February 2010, Lloyds Banking Group will, on behalf of itself and the ECN Issuers, announce the following: (i) the New Shares Price; (ii) each FX Rate; (iii) whether Holders who will receive the relevant Exchange Consideration Amount will receive the relevant Exchange Consideration in the form of New Shares, cash or, in the applicable limited circumstances, Additional ECNs and (iv) the number of New Shares that will be received by Holders per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as applicable) in principal amount/liquidation preference of the relevant Existing Securities, which Existing Securities have been accepted for Exchange into New Shares.

Existing Securities

The Existing Preference Shares, the Existing Capital Securities and the Existing Notes. Details of the Existing Securities are set out in Part III (“Summary Offering Table and Exchange Options Overview”) of this Exchange Offer Memorandum.

New Securities

The ECNs (including Additional ECNs, if any) and the New Shares.

Applications will be made for the New Securities to be admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange’s Regulated Market.

Conditions to the Exchange Offer

Notwithstanding any other provision of this Exchange Offer Memorandum, neither ECN Issuer nor Lloyds Banking Group has any obligation to Holders to accept any or all Offers to Exchange and each of them may decide not to accept Offers to Exchange for any reason.

Moreover, neither of the ECN Issuers nor Lloyds Banking Group will accept any Offer to Exchange from Holders of Existing Securities unless all resolutions as may be necessary to approve, effect and implement the Exchange Offer or the other elements of the Proposals and authorise and permit the creation and allotment of New Shares are passed at the Lloyds Banking Group General Meeting (or any adjournment thereof).

Amendment of Terms of the Exchange Offer; Termination

Subject as provided herein, LBG Capital No.1 may, with the prior consent of the Dealer Managers (such consent not to be unreasonably withheld or delayed), extend, re-open, amend, terminate or withdraw the Exchange Offer in any respect (including, without limitation, early closure of the Exchange Offer Period and amending the ECN Conditions) at any time up to and including when Lloyds Banking Group, acting on behalf of itself and the ECN Issuers, announces whether it, LBG Capital No.1 or LBG Capital No.2 (as the case may be) accepts valid Offers to Exchange pursuant to the Exchange Offer, on the Results Announcement Date. Notice will be given to Holders if the terms and conditions or timing of the Exchange Offer are amended. If during the Exchange Offer Period (i) any amendment to the terms and conditions of the Exchange Offer is made by LBG Capital No.1 after the date hereof and, in LBG

Capital No.1's opinion (in consultation with the Dealer Managers) such amendment is materially prejudicial to Holders that have already submitted Offers to Exchange before the announcement of such amendment (which announcement shall include a statement that, in LBG Capital No.1's opinion, such amendment is materially prejudicial to such Holders), or (ii) a supplement to this Exchange Offer Memorandum is published, Holders who have already submitted Offers to Exchange will have the right to withdraw their Offers to Exchange for a period of two Business Days starting on the day following such announcement or publication.

Revocation

Exchange Instructions received by the Exchange Agent cannot be revoked, except in the limited circumstances described in "Terms of the Exchange Offer – Revocation Rights" below.

Procedure for Offering to Exchange Existing Securities

Holders wishing to participate in the Exchange Offer must submit, or arrange to have submitted on their behalf, not later than the Expiration Deadline (or relevant earlier deadline if the Exchange Offer is closed earlier) and, in any event, before such earlier deadline as may be imposed by the relevant Clearing System or CREST, a duly completed: (a) Non-Clearing System Exchange Instruction, in the case of Holders who hold Existing Securities in certificated form or in uncertificated form in CREST, together with a TTE Instruction to EUI in the case of the Holders who hold Existing Securities in uncertificated form in CREST; and (b) Clearing System Exchange Instruction via Euroclear and/or Clearstream, Luxembourg in the form specified in the relevant Clearing System Notice in the case of Holders who hold their Existing Securities through Euroclear and/or Clearstream, Luxembourg. Each Exchange Instruction should specify the relevant Exchange Option pursuant to which the Holder Offers to Exchange its Existing Securities.

In order to be able to receive ECNs, or Additional ECNs, on completion of the Exchange Offer, holders of Existing Securities held outside of the Clearing Systems must, in completing the Non-Clearing System Exchange Instruction, provide valid securities account numbers in a Clearing System. In addition, Holders who specify Exchange Options 2, 3 or 4 in their Exchange Instruction should provide the relevant additional information set out under "Terms of the Exchange Offer – Procedures for participating in the Exchange Offer – Additional Procedures for Holders who select Exchange Options 2, 3 and 4" below.

Holders are advised to check with any bank, securities broker or other intermediary through which they hold Existing Securities whether such intermediary needs to receive instructions from a Holder before the deadlines specified in this Exchange Offer Memorandum in order for that Holder to be able to participate in, or (in the limited circumstances in which revocation is permitted) revoke their instruction to participate in, the Exchange Offer. The deadlines set by each Clearing System for the submission and withdrawal of Exchange Instructions will also be earlier than the relevant deadlines specified in this Exchange Offer Memorandum and, in the case of Existing Securities held in CREST, the deadline for the delivery of Non-Clearing System Exchange Instructions and TTE Instructions is 1.00 p.m., London time, ahead of the Expiration Deadline.

No acknowledgement of receipt of any Exchange Instruction, transfer by means of CREST, preference share certificate(s) or other document(s) of title will be given by or on behalf of either ECN Issuer, Lloyds Banking Group, the relevant Registrar or the Exchange Agent. See “– Terms of the Exchange Offer – Procedures for Participating in the Exchange Offer” for more detailed instructions on how to Offer to Exchange Existing Securities.

Blocking of Existing Securities

The receipt of Clearing System Exchange Instructions by the relevant Clearing System will be acknowledged by such Clearing System and will result in the blocking of the relevant Existing Securities. Beneficial Owners must take the appropriate steps through the relevant Clearing System to ensure that no transfers may be effected in relation to such blocked Existing Securities at any time after such date, in accordance with the requirements of the relevant Clearing System and the deadlines required by such Clearing System. By blocking such Existing Securities in the relevant Clearing System, each Holder or Direct Participant will be deemed to consent to have the relevant Clearing System provide details concerning such Holder’s and/or Direct Participant’s identity to, amongst others, the Exchange Agent.

Upon submission of a TTE Instruction, the Existing Securities subject to such TTE Instruction will be transferred to an escrow balance by the relevant Registrar as escrow agent, which will result in the blocking of such Existing Securities. After settlement of the TTE Instruction, Holders will not be able to access the Existing Securities concerned in CREST for any transaction or charging purposes until the Exchange Offer is terminated or concluded.

Acknowledgements, Representations, Warranties and Undertakings of Holders

By Offering to Exchange Existing Securities in the Exchange Offer, Holders will be deemed to make a series of acknowledgements, representations, warranties and undertakings, which are set out in full below. See “– Terms of the Exchange Offer – Acknowledgements, Representations, Warranties and Undertakings”, below.

Settlement

Holders whose Offers to Exchange their Existing Securities have been accepted pursuant to the ECN Priority will receive such ECNs on the Early Settlement Date, expected to be on or around 1 December 2009. Holders whose Offers to Exchange their Existing Securities have been accepted pursuant to the ECA Priority will receive the relevant Exchange Consideration, approximately 90 days after the Expiration Deadline on the Late Settlement Date, expected to be on or around 18 February 2010.

Offer Restrictions

The Exchange Offer is subject to offer restrictions. See “Offer Restrictions” as set out in this Part VI of this Exchange Offer Memorandum. The Exchange Offer is not being made to U.S. persons or to any person located or resident in the Republic of Italy, and is only being made in countries other than the United States and the Republic of Italy.

PART B – Proposed Invitation to Eligible Retail Holders

Separately, the Group intends to invite Eligible Retail Holders to make an offer to sell their Non-Clearing System Existing Securities to a member of the Group for cash on an extended timetable (the “Retail Holdings Offer”).

An Eligible Retail Holder means a Holder who (directly or through Lloyds Banking Group Shareholder Account) holds Non-Clearing System Existing Securities and who (i) as at the Expiration Deadline holds less than the Minimum Existing Holding; (ii) is not an Investment Professional; (iii) is located in the United Kingdom; and (iv) is a Holder of a series of Non-Clearing System Existing Securities, some of which series have been accepted for exchange pursuant to the Exchange Offer (or which rank in the relevant Exchange Priority ahead of other series of Existing Securities which have been accepted for exchange). The detailed terms of any such invitation will be set out in a letter to be sent to such Eligible Retail Holders following the Early Settlement Date of the Exchange Offer.

The aggregate cash amount to be made available by the Group for the Retail Holdings Offer is expected to be limited to £100,000,000. The purchase price for each series of Non-Clearing System Existing Securities in the Retail Holdings Offer is expected to be a cash amount equal to the relevant Exchange Consideration Amount for such series in the Exchange Offer together with an amount equal to any Accrued Interest Payment or Accrued Dividends Payment for that security for the period up to but excluding the date of settlement of the purchase.

There will be no dealing or settlement charge made by LBG Capital No.1, Lloyds Banking Group or the relevant Registrar for participation by Eligible Retail Holders in the Retail Holdings Offer.

Offer Restrictions

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in, or incorporated by reference into, this document for any purpose other than considering whether to participate in the Exchange Offer is prohibited. By accepting delivery of or accessing this document, each offeree of the New Securities agrees to the foregoing.

This Exchange Offer Memorandum does not constitute an offer to participate in the Exchange Offer to any person in any jurisdiction where it is unlawful to make such an offer or solicitation. The Exchange Offer is being made on the basis of this Exchange Offer Memorandum and is subject to the terms described herein. Each Holder should consult its advisers as needed to make its investment decision and to determine whether it is legally permitted to participate in the Exchange Offer under applicable legal investment or similar laws or regulations.

Each Holder must comply with all applicable laws and regulations in force in any jurisdiction in which it participates in the Exchange Offer, or possesses or distributes this Exchange Offer Memorandum and must obtain any consent, approval or permission required by it for participation in the Exchange Offer under the laws and regulations in force in any jurisdiction to which it is subject, and neither ECN Issuer, Lloyds Banking Group, the Dealer Managers nor any of their respective representatives shall have any responsibility therefor.

No action has been or will be taken in any jurisdiction except Austria, Cyprus, Denmark, France, Germany, Greece, Republic of Ireland, Luxembourg, Malta, Norway, Portugal, Spain, Sweden, The Netherlands and the United Kingdom (the "EEA Permitted Jurisdictions", and together with Guernsey, Jersey, South Africa and Switzerland, the "Permitted Jurisdictions") that would permit a public offering in relation to the Exchange Offer, or the possession, circulation or distribution of this Exchange Offer Memorandum or any material relating to Lloyds Banking Group or the New Securities where action for that purpose is required. Accordingly, the Exchange Offer may not be conducted, directly or indirectly, and neither this Exchange Offer Memorandum nor any other offering material or advertisement in connection with the Exchange Offer may be distributed or published, in or from any such country or jurisdiction, except in compliance with any applicable rules or regulations of any such country or jurisdiction.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a "Relevant Member State"), other than EEA Permitted Jurisdictions, each of the ECN Issuers and Lloyds Banking Group has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") that it has not made and will not make an offer of the New Securities to the public in that Relevant Member State prior to the publication of a prospectus in relation to the New Securities 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, all in accordance with the Prospectus Directive and applicable law, except that with effect from and including the Relevant Implementation Date, an offer of the New Securities may be made to a "Non-U.S. Qualified Holder".

For the purposes of the Exchange Offer, "Non-U.S. Qualified Holder" means:

- (a) a person who is determined by LBG Capital No.1 in its sole discretion to be eligible to participate in the Exchange Offer; or
- (b) legal entities in the EEA that are authorised or regulated to operate in the financial markets in the applicable jurisdiction or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; or
- (c) legal entities in the EEA that have two or more of:
 - (i) an average of at least 250 employees during the last financial year;
 - (ii) a total balance sheet of more than €43,000,000; and
 - (iii) annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (d) any other entity in the EEA in circumstances that do not require the publication of a prospectus in the applicable jurisdiction pursuant to Article 3 of the Prospectus Directive as implemented by a Member State of the EEA; or

- (e) a person or legal entity that is resident in:
- the United Kingdom;
 - Austria;
 - Cyprus;
 - Denmark;
 - France;
 - Germany;
 - Greece;
 - Republic of Ireland;
 - Luxembourg;
 - Malta;
 - Norway;
 - Portugal;
 - Spain;
 - Sweden;
 - The Netherlands; or
- (f) a person or legal entity that is:
- (i) in Australia and either (a) a person who satisfies the requirements of section 708(8) of the Australian Corporations Act 2001 or (b) a person who is a “professional investor” within the meaning of section 9 of the Australian Corporations Act 2001;
 - (ii) in Israel and a “qualified investor” as defined in the First Addendum of the Israeli Securities Law, 5728 – 1968;
 - (iii) in Singapore and either (a) a person to whom an offer of securities may be made pursuant to Section 274 (institutional investors exemption) or Section 275 (accredited investors and other relevant persons exemption) of the Securities and Futures Act, Chapter 289 of Singapore;
 - (iv) resident in Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) and a QII as defined in Article 2, Paragraph 3, Item 1 of the Financial Instruments and Exchange Act of Japan provided that in order for a resident of Japan to be deemed a Non-U.S. Qualified Holder pursuant to this subsection, such resident must acknowledge and agree not to transfer any New Securities received pursuant to the exchange offers to any person that is not a QII;
 - (v) in Hong Kong, and is a “professional investor” as defined in the Securities and Futures Ordinance of Hong Kong Cap. 571 (“SFO”) and any rules made under the SFO; and
 - (vi) otherwise resident in a jurisdiction in which delivery or deemed delivery of ECNs or the relevant Exchange Consideration to such person would not be unlawful,

provided that any person falling under paragraph (e) above (who does not constitute a Non-U.S. Qualified Holder pursuant to the provisions of paragraphs (a) to (d) above) shall only be deemed to be a Non-U.S. Qualified Holder subsequent to the provision by the UKLA of this Exchange Offer Memorandum to the competent authority in the relevant jurisdiction listed in paragraph (e) pursuant to Articles 17 and 18 of the Prospectus Directive.

Each Holder of Existing Securities outside of the Permitted Jurisdictions that submits an Exchange Instruction will be deemed to represent, warrant and agree that they are a Non-U.S. Qualified Holder. Each person or entity acquiring ECNs or the relevant Exchange Consideration for the account of a Holder outside of the Permitted Jurisdictions will be deemed to represent, warrant and agree that it has full power to acknowledge, on behalf of such account, that such account constitutes a Non-U.S. Qualified Holder. In addition, each such Holder of Existing Securities outside of the Permitted Jurisdictions, or any entity that is acting on behalf of such a Holder that submits an Exchange Instruction, will be deemed to acknowledge that the ECN Issuers, Lloyds

Banking Group, the Dealer Managers and others will rely upon the truth and accuracy of the foregoing acknowledgements and representations.

European Economic Area

This Exchange Offer Memorandum has been prepared on the basis that the Exchange Offer will either be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the EEA, from the requirement to produce a prospectus for offers of the ECNs or the relevant Exchange Consideration or by the use of this document, as a prospectus approved by the UKLA and prepared in accordance with the Prospectus Directive and the Prospectus Rules made under section 73A of FSMA and passported to the EEA Permitted Jurisdictions. Accordingly, any person making or intending to make an Offer to Exchange within the EEA should only do so in the EEA Permitted Jurisdictions using this document, or, in any other EEA jurisdiction, in circumstances in which no obligation arises for the ECN Issuers, Lloyds Banking Group, Lloyds TSB Bank or any of the Dealer Managers to produce a prospectus for such offer.

United States

The Exchange Offer is not being made, and will not be made, directly or indirectly, in or into, or by use of the mail of, or by any means or instrumentality of interstate or foreign commerce of or of any facilities of a national securities exchange of, the United States or to, or for the account or benefit of, U.S. persons. This includes, but is not limited to, facsimile transmission, electronic mail, telex, telephone and the internet. Accordingly, copies of this Exchange Offer Memorandum and any other documents or materials relating to the Exchange Offer are not being, and must not be, directly or indirectly, mailed or otherwise transmitted, distributed or forwarded (including, without limitation, by custodians, nominees or trustees) in or into the United States or to U.S. persons and the Existing Notes cannot be Offered for Exchange by any such use, means, instruments or facilities or from within the United States or by U.S. persons. Any purported Offer to Exchange Existing Securities resulting directly or indirectly from a violation of these restrictions will be invalid, and any purported Offer to Exchange made by a U.S. person, a resident of the United States or from the United States or from any agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal giving instructions from within the United States or for a U.S. person will be invalid and will not be accepted.

This Exchange Offer Memorandum is not an offer of securities for sale in the United States or to U.S. persons. The New Securities have not been, and will not be, registered under the Securities Act or the securities laws of any state or jurisdiction of the United States, and may not be offered, sold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons. The purpose of this Exchange Offer Memorandum is limited to the Exchange Offer, and this Exchange Offer Memorandum may not be sent or given to any person other than in an offshore transaction in accordance with Regulation S under the Securities Act.

Each Holder of Existing Securities participating in the Exchange Offer will represent that it is not a U.S. person and is participating in the Exchange Offer in accordance with Regulation S under the Securities Act and that it is not participating in the Exchange Offer from the United States nor is it a U.S. person or an agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal giving instructions from within the United States or for a U.S. person.

Australia

No disclosure document, prospectus or product disclosure statement in relation to the New Securities has been lodged with the Australian Securities and Investments Commission. The New Securities may not be offered for issue or issued in Australia, its territories or possessions, nor may an invitation to make an offer to subscribe for the New Securities offered by this Exchange Offer Memorandum be made in Australia, its territories or possessions except if the offer or issue is to:

- (a) a person who satisfies the requirements of section 708(8) of the Australian Corporations Act 2001; or
- (b) a person who is a “professional investor” within the meaning of section 9 of the Australian Corporations Act 2001 (an Australian professional investor),

and such actions comply with all applicable laws or regulations.

Each holder of New Securities will be deemed to have acknowledged, warranted, represented and agreed with the Company that they are persons to whom New Securities (as the case may be) may be issued without an Australian law compliant disclosure document, prospectus or product disclosure statement (such as an Australian professional investor) and that they will not offer to sell or sell New Securities which are issued to them in Australia for 12 months after the issue of those New Securities unless that offer or sale is to a person to whom an offer or sale of New Securities may be made without an Australian law compliant disclosure document, prospectus or product disclosure statement such as an Australian professional investor.

Each holder of ECNs who is issued New Shares as a result of conversion, of the ECNs will be deemed to have acknowledged, warranted, represented and agreed with the Company that they will not offer to sell or sell New Shares which are issued to them in Australia for 12 months after the issue of those New Shares unless that offer or sale is to a person to whom an offer of sale or sale of New Shares may be made without an Australian law compliant prospectus or disclosure document such as an Australian professional investor.

Hong Kong

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. Holders of Existing Securities are advised to exercise caution in relation to the Exchange Offer. If the Holder of an Existing Security is in any doubt about any of the contents of this document, they should obtain independent professional advice. Please note that (i) none of the New Securities may be offered or sold in Hong Kong by means of this document or any other document other than to professional investors within the meaning of Part I of Schedule 1 to the Securities and Futures Ordinance of Hong Kong (Cap. 571) (“SFO”) and any rules made thereunder (“professional investors”), or in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance of Hong Kong (Cap. 32) (“CO”) or which do not constitute an offer or invitation to the public for the purposes of the CO or the SFO, and (ii) no person shall issue or possess for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to New Securities which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to those New Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to such professional investors.

Israel

In the State of Israel this document shall not be regarded as an offer to the public to purchase securities under the Israeli Securities Law, 5728 – 1968 (the “ISL”), which requires a prospectus to be published and authorised by the Israel Securities Authority, if it complies with certain provisions of Section 15 of the ISL, including, *inter alia*, if: (i) the offer is made, distributed or directed to not more than 35 investors, subject to certain conditions (the “Addressed Investors”); or (ii) if the offer is made, distributed or directed to certain qualified investors defined in the First Addendum of the ISL, subject to certain conditions (the “Qualified Investors”). The Qualified Investors shall not be taken into account in the count of the Addressed Investors and may be offered to purchase securities in addition to the 35 Addressed Investors. Qualified Investors may have to submit written evidence that they meet the definitions set out in the First Addendum to the ISL. Addressed Investors may have to submit written evidence in respect of their identity. Each of Lloyds Banking Group and the ECN Issuers have not taken, and will not take, any action which would require it to publish a prospectus in accordance with, and subject to, the ISL. Each of Lloyds Banking Group and the ECN Issuers have not and will not distribute this document or make, distribute or direct an offer to purchase securities to any person within the State of Israel, other than to Qualified Investors and up to 35 Addressed Investors.

Japan

The New Securities issued pursuant to the Exchange Offer have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948) (the “FIEA”) pursuant to an exemption from the registration requirement applicable to a private placement of securities to a limited number of investors and qualified institutional investors (as defined in Article 2, paragraph 3, item 1 of the FIEA, “QIIs”) (“Small Number Private Placement Exemption”) under Article 2, paragraph 3, item 1 of the FIEA. Accordingly, New Securities have not been, directly or indirectly, offered, issued or delivered and

will not be, directly or indirectly, offered, issued or delivered in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan who is not a QII; and pursuant to the Small Number Private Placement Exemption, any holder who is a QII and initially acquires the New Securities by offering their Existing Securities and each subsequent holder of such New Securities may not transfer the New Securities to any person that is not a QII.

Singapore

This Exchange Offer Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Exchange Offer Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of New Securities may not be circulated or distributed, nor may New Securities be offered or sold, or be made the subject of an invitation for acquisition, 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 New Securities are acquired 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,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the New Securities pursuant to an offer made under Section 275 except:

- (a) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
- (b) where no consideration is or will be given for the transfer; or
- (c) where the transfer is by operation of law.

Belgium

Neither this document nor any other offering material has been submitted or will be submitted for approval or recognition to the Belgian Banking, Finance and Insurance Commission ("*Commission bancaire, financière et des assurances/Commissie voor het Bank-, Financie- en Assurantiewezen*"). The Exchange Offer may not be made in Belgium by way of a public offering, as defined in Articles 3 and 6 of the Belgian Law of 1 April 2007 on public takeover bids or as defined in Article 3 of the Belgian Law of 16 June 2006 on the public offer of placement instruments and the admission to trading of placement instruments on regulated markets (the "Belgian Public Offer Law"), each as amended or replaced from time to time. Accordingly, the Exchange Offer may not be advertised and the Exchange Offer will not be extended and no memorandum, information circular, brochure or any similar document has or will be distributed, directly or indirectly, to any person in Belgium other than "qualified investors" in the meaning of Article 10 of the Belgian Public Offer Law (as amended from time to time). This document has been issued only for the personal use of the above qualified investors and exclusively for the purpose of the Exchange Offer. Accordingly, the information contained herein may not be used for any other purpose or disclosed to any other person in Belgium.

France

The Exchange Offer will be made exclusively by way of this Exchange Offer Memorandum which was approved by the FSA, being the competent authority in the United Kingdom on 3 November 2009. The Exchange Offer Memorandum constitutes a prospectus pursuant to the Prospectus Directive. The Exchange Offer Memorandum will not be approved by nor registered with the French securities regulator (the “AMF”) in France. The Exchange Offer Memorandum contains the terms and conditions of the Exchange Offer, including the way the Exchange Offer can be accepted and the restrictions applicable to the Exchange Offer in France. The Exchange Offer will be subject to all the terms and conditions set forth in the Exchange Offer Memorandum.

LBG Capital No.1 intends to request that the FSA provides a certificate of approval and a copy of this document to the AMF in France pursuant to the passporting provision of the FSMA. It is expected that the Qualifying Shareholders in France will be able to participate in the Exchange Offer.

In relation to France, the Holders of Existing Securities in France may not participate in or accept the Exchange Offer and no New Securities have been offered or will be offered pursuant to the Exchange Offer to the public in France prior to the publication of a prospectus in relation to the New Securities which has been approved by the AMF or approved in another relevant member state and notified to the AMF, all in accordance with the Prospectus Directive.

Notwithstanding the above, the New Securities may be offered in France in accordance with article L.411-2 II of the French Financial and Monetary code, in particular where the offer solely targets:

- (a) people or entities providing portfolio management investment service for third parties; and
- (b) qualified investors provided that those investors are acting for their own account.

For the purposes of this paragraph, the expression “an offer of any New Securities to the public” in relation to any New Securities in France means the communication in any form and by any means of sufficient information on the terms of the Exchange Offer and any New Securities to be offered so as to enable an investor to decide to acquire any New Securities, as the same may be varied in France by any measure implementing the Prospectus Directive in France.

In the case of any New Securities being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the New Securities acquired by it in the Exchange Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any New Securities to the public other than their offer or resale in France to qualified investors as so defined or in circumstances in which the prior consent of Lloyds Banking Group, Lloyds TSB Bank, the ECN Issuers and each of the Dealer Managers has been obtained to each such proposed offer or resale.

Italy

The Exchange Offer is not being made in the Republic of Italy. The Exchange Offer and this Exchange Offer Memorandum have not been submitted to the clearance procedure of the *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) pursuant to Italian laws and regulations. Accordingly, the Exchange Offer is not made or made available to holders of Existing Securities who are Italian residents and/or persons located in the Republic of Italy and they may not submit acceptances relating to Existing Securities in respect of the Exchange Offer and, as such, any acceptances received from or on behalf of such Holders of Existing Securities shall be ineffective and void. Neither this Exchange Offer Memorandum nor any other information material relating to the Exchange Offer or the Existing Securities may be distributed or made available in the Republic of Italy.

Bahamas

New Securities will not be offered or sold from a place of business within The Bahamas or in a manner constituting the commencement of business in The Bahamas unless by an appropriately licensed or registered individual or entity as permitted pursuant to the Securities Industry Act, 1999 of the Bahamas.

New Securities may not be offered or sold to persons or entities deemed “resident” in The Bahamas pursuant to the Exchange Control Regulations, 1956 of The Bahamas unless the prior approval of the Central bank of The Bahamas is obtained.

General Notice

This Exchange Offer Memorandum is strictly confidential and is supplied for the personal use of the recipient only. Under no circumstances should it be reproduced or distributed to any other persons. The distribution of this Exchange Offer Memorandum in certain jurisdictions may be restricted. Persons into whose possession this Exchange Offer Memorandum comes are required to inform themselves about and to observe any such restrictions. This Exchange Offer Memorandum does not constitute, and may not be used for the purpose of, an offer or solicitation to the public or to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Nothing contained in this document nor the information incorporated by reference herein is intended to constitute or should be construed as business, investment, legal, tax, accounting or other professional advice. This document is for your information only and nothing in this document is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice rendered on the basis of your situation.

Timetable for the Exchange Offer

The times and dates below are indicative only. The below times and dates are subject, where applicable, to the right of LBG Capital No.1, with the prior consent of the Dealer Managers (such consent not to be unreasonably withheld or delayed), to extend, re-open, amend and/or terminate the Exchange Offer. Accordingly, the actual timetable may differ significantly from the expected timetable set out below.

<i>Events</i>	<i>Dates and Times (All times are London time)</i>
Commencement of the Exchange Offer Period Exchange Offer announced. Exchange Offer Memorandum available from the Dealer Managers, the Exchange Agent and, subject to jurisdictional restrictions, on the website of Lloyds Banking Group.	3 November 2009
Calculation of the Unadjusted Conversion Price and each Fixed Rate of Exchange	17 November 2009
UCP Announcement Announcement of the Unadjusted Conversion Price and each Fixed Rate of Exchange	18 November 2009
Expiration Deadline Deadline for receipt of all Exchange Instructions, save as otherwise set out herein with respect to Existing Securities held in CREST or in certificated form, where such deadline is 1.00 p.m. on 20 November 2009. End of Exchange Offer Period.	4.00 p.m., on 20 November 2009
Exchange Offer Results Announcement Announcement of the following: (i) whether valid Offers to Exchange pursuant to the Exchange Offer are accepted; (ii) the aggregate principal amount/ liquidation preference of each series or class of Existing Securities that each ECN Issuer or Lloyds Banking Group (as the case may be) will be accepting for exchange; (iii) where Holders have Offered to Exchange Existing Securities pursuant to Exchange Options 3 or 4, whether the relevant Holders will receive ECNs or the relevant Exchange Consideration Amount (or both); (iv) whether Offers to Exchange for each series or class of Existing Securities are to be accepted in full (if at all) or on a <i>pro rata</i> basis and, where accepted on a <i>pro rata</i> basis, the extent to which such Offers to Exchange will be scaled; (v) each New Issue Amount; (vi) the Early Settlement Date; and (vii) the Late Settlement Date.	23 November 2009
Lloyds Banking Group General Meeting	11.00 a.m., on 26 November 2009
Conversion Price Announcement Announcement of the Conversion Price	27 November 2009
Early Settlement Date Early Settlement Date of the Exchange Offer, including delivery of the ECNs (other than Additional ECNs), in exchange for Existing Securities validly Offered for Exchange and accepted.	Expected on 1 December 2009

Events

Dates and Times (All times are London time)

Exchange Consideration Announcement

12 February 2010

Announcement of the following: (i) the New Shares Price; (ii) each FX Rate; (iii) whether Holders who will receive the relevant Exchange Consideration Amount will receive the relevant Exchange Consideration in the form of New Shares, cash or, where relevant, in the applicable limited circumstances, Additional ECNs; and (iv) the number of New Shares that will be received by Holders per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as applicable) in principal amount/liquidation preference of the relevant Existing Securities, which Existing Securities have been accepted for Exchange into New Shares.

Late Settlement Date

Late Settlement Date of the Exchange Offer, including delivery of the relevant Exchange Consideration in exchange for Existing Securities validly Offered for Exchange and accepted.

Expected on or around 18 February 2010

*Holders are advised to check with any bank, securities broker or other intermediary through which they hold Existing Securities whether such intermediary needs to receive instructions from a Holder before the deadlines specified in this Exchange Offer Memorandum in order for that Holder to be able to participate in, or (in the limited circumstances in which revocation is permitted) revoke their instruction to participate in, the Exchange Offer. **The deadlines set by each Clearing System for the submission and withdrawal of Exchange Instructions will also be earlier than the relevant deadlines specified in this Exchange Offer Memorandum and, in the case of Existing Securities held in CREST, the deadline for delivery of Non-Clearing System Exchange Instructions and TTE Instructions is 1.00 p.m., London time.***

Unless stated otherwise, announcements in connection with the Exchange Offer will be made by RNS. Such announcements may also be found on the relevant Reuters International Insider Screen and be made by (i) the issue of a press release to a Notifying News Service; (ii) the delivery of notices to the Clearing Systems for communication to Direct Participants; (iii) display on the Luxembourg Stock Exchange's website; (iv) display on the AFM's website; and/or (v) display on Lloyds Banking Group's website. Copies of all such announcements, press releases and notices can also be obtained from the Exchange Agent, the contact details for which are at the end of this Exchange Offer Memorandum. In addition, Holders of Existing Securities may contact the Dealer Managers for information using the contact details on the last page of this Exchange Offer Memorandum.

Terms of the Exchange Offer

1 Exchange Offer

(a) LBG Capital No.1 invites all Holders (subject to certain offer restrictions set out in “Offer Restrictions”) to Offer to Exchange for the relevant ECNs or the Exchange Consideration any or all of their Existing Securities that are outstanding upon the terms and subject to the conditions of the Exchange Offer, as further described below. Each series or class of New Securities will be issued and cash will be paid up to a maximum aggregate amount equal to the relevant New Issue Amount, as further described below.

(i) Holders who wish to participate in the Exchange Offer should submit an Offer to Exchange their Existing Securities in accordance with one of the following options.¹

(a) Exchange Option 1 – Exchange into ECNs only

Holders are entitled to Offer to Exchange their Existing Securities for the relevant series of ECNs as set out in Part III (“Summary Offering Table and Exchange Options Overview”) of this Exchange Offer Memorandum. In the event that the relevant ECN Issuer or Lloyds Banking Group (as the case may be) accepts Offers to Exchange for ECNs, such ECNs will be delivered on the Early Settlement Date.

In the event that an Offer to Exchange for ECNs is not accepted, the relevant Holders will not have the opportunity to participate in the ECA Priority.

Holders who wish to Offer to Exchange their Existing Securities in accordance with this Exchange Option 1, should specify “Exchange Option 1” in the relevant Exchange Instruction.

(b) Exchange Option 2 – Exchange for the relevant Exchange Consideration only

Holders are entitled to Offer to Exchange their Existing Securities for a consideration calculated by reference to the relevant Exchange Consideration Amount set out in Part III (“Summary Offering Table and Exchange Options Overview”) of this Exchange Offer Memorandum, which will be delivered to Holders in the form of New Shares and/or cash, (each at the sole discretion of LBG Capital No.1) and/or, in the limited circumstances described below, Additional ECNs. In the event that the relevant ECN Issuer or Lloyds Banking Group (as the case may be) accepts Offers to Exchange made pursuant to this Exchange Option 2, Lloyds Banking Group, acting on behalf of itself and the ECN Issuers, will announce on 12 February 2010 whether the relevant Holders of each series of Existing Securities will receive New Shares and/or cash, and/or in the limited circumstances described below, Additional ECNs. The relevant Exchange Consideration will be delivered approximately 90 days after the Expiration Deadline on the Late Settlement Date.

In the event that an Offer to Exchange made pursuant to this Exchange Option 2 is not accepted, the relevant Holder will not have the opportunity to participate in the ECN Priority.

Holders who wish to Offer to Exchange their Existing Securities in accordance with this Exchange Option 2, should specify “Exchange Option 2” in the relevant Exchange Instruction.

(c) Exchange Option 3 – Exchange into ECNs or, failing which, the relevant Exchange Consideration

Holders are entitled to Offer to Exchange their Existing Securities for the relevant series of ECNs as set out in Part III (“Summary Offering Table and Exchange Options Overview”) of this Exchange Offer Memorandum. In the event that the relevant ECN Issuer or Lloyds Banking Group (as the case may be) has accepted other Offers to Exchange in accordance with the ECN Priority, such that the aggregate principal amount of ECNs to be issued in exchange would exceed the Maximum ECN New Issue Amount, the Offers to Exchange which have not been

¹ A Holder may elect to Offer to Exchange part of its holding of Existing Securities on the basis of one Exchange Option and another part of its holding of Existing Securities on the basis of another Exchange Option, in which case such Holder should specify the principal amount/liquidation preference of its holding which it Offers to Exchange for each Exchange Option elected (and each such principal amount/liquidation preference specified must be at least the minimum specified denomination/liquidation preference of such Existing Security).

so accepted will, in the circumstances described in Appendix 3, be treated as an Offer to Exchange for the relevant Exchange Consideration Amount. The relevant ECN Issuer or Lloyds Banking Group (as the case may be) may then accept such Offers to Exchange in accordance with the ECA Priority, in the circumstances described in Appendix 3. Holders will, if their Offers to Exchange are accepted, receive the relevant New Securities or cash on the relevant Settlement Date, as described herein.

Holders who wish to Offer to Exchange their Existing Securities in accordance with this Exchange Option 3, should specify "Exchange Option 3" in the relevant Exchange Instruction.

(d) Exchange Option 4 – Exchange for the relevant Exchange Consideration or, failing which, ECNs

Holders are entitled to Offer to Exchange their Existing Securities for a consideration calculated by reference to the relevant Exchange Consideration Amount as set out in Part III ("Summary Offering Table and Exchange Options Overview") of this Exchange Offer Memorandum which will be delivered to Holders in the form of New Shares and/or cash (each at the sole discretion of LBG Capital No.1) and/or, in the limited circumstances described below, Additional ECNs. In the event that the relevant ECN Issuer or Lloyds Banking Group (as the case may be) has accepted other Offers to Exchange in accordance with the ECA Priority, such that the aggregate value of Exchange Consideration to be issued and paid in exchange would exceed the Maximum Exchange Consideration Amount, the Offer to Exchange will, in the circumstances described in Appendix 3, be treated as an Offer to Exchange into ECNs. The relevant ECN Issuer or Lloyds Banking Group (as the case may be) may then accept such Offers to Exchange in accordance with the ECN Priority, in the circumstances described in Appendix 3. Holders will, if their Offers to Exchange are accepted, receive the relevant New Securities or cash on the relevant Settlement Date, as described herein.

Holders who wish to Offer to Exchange their Existing Securities in accordance with this Exchange Option 4, should specify "Exchange Option 4" in the relevant Exchange Instruction.

- (ii) The ECN Issuers and Lloyds Banking Group will, if they accept any Offers to Exchange, accept Offers to Exchange in accordance with the relevant Exchange Priority as further detailed below (see "Acceptance of Offers to Exchange") and as set out in Appendices 1 and 2 to this Exchange Offer Memorandum. The interaction between the Exchange Options and the Exchange Priorities is described in Appendix 3 ("Interaction of Exchange Priorities and Exchange Options") of this document.
- (iii) Holders whose Offers to Exchange their Existing Securities have been accepted by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) and who will, following such acceptance, be entitled to ECNs or, in the limited circumstances described below, Additional ECNs, will receive such ECNs or Additional ECNs (as the case may be) of the relevant series specified in Part III ("Summary Offering Table and Exchange Options Overview") of this Exchange Offer Memorandum, in an aggregate principal amount equal to the aggregate principal amount/liquidation preference of the corresponding series of Existing Securities which have been accepted for exchange. Such Holders will also receive any applicable Accrued Interest Payment or Accrued Dividends Payment (as the case may be) on the Early Settlement Date, in the case of Holders who receive ECNs other than Additional ECNs, or the Late Settlement Date, for those who receive Additional ECNs.
- (iv) Holders whose Offers to Exchange their Existing Securities have been accepted by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) and who will, following such acceptance, be entitled to New Shares, will receive such number of New Shares per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as applicable) in principal amount/liquidation preference of Existing Securities which are accepted for exchange, equal to the relevant Exchange Consideration Amount divided by the product of the New Shares Price and the relevant FX Rate. If a Holder would be entitled to receive a number of New Shares which is not a whole number, any fractional entitlements will be rounded

down to the nearest whole number and Holders will not receive any such fractional entitlements. For the purposes of such calculation, the number of New Shares to be issued shall be calculated on the basis of the aggregate principal amount/liquidation preference of the Existing Securities which have been accepted for exchange by the relevant ECN Issuer or Lloyds Banking Group (as the case may be). Such Holders will also receive any applicable Accrued Interest Payment or Accrued Dividends Payment (as the case may be) on the Late Settlement Date.

- (v) Holders whose Offers to Exchange their Existing Securities have been accepted by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) and who will, following such acceptance, be entitled to cash, will receive a cash amount equal to the relevant Exchange Consideration Amount per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as applicable) in principal amount/liquidation preference of Existing Securities which are accepted for exchange, payable in the same currency as the relevant series or class of Existing Securities which has been accepted for exchange. Such Holders will also receive any applicable Accrued Interest Payment or Accrued Dividends Payment (as the case may be) on the Late Settlement Date.
- (vi) The Exchange Offer Period will start on 3 November 2009 and end at the Expiration Deadline, unless extended or earlier closed by LBG Capital No.1 with the prior consent of the Dealer Managers (such consent not to be unreasonably withheld or delayed). Subject thereto, Holders are invited to Offer to Exchange any or all of their Existing Securities that are outstanding from 3 November 2009 up to 4.00 p.m., London time, on 20 November 2009 subject to any earlier deadlines set by the Clearing Systems or other Intermediaries.
- (vii) Offers to Exchange the Existing Preference Shares and the Saphir Existing Securities will be made to, and (if applicable) accepted by, Lloyds Banking Group. Offers to Exchange Holdco Existing Securities, other than the Existing Preference Shares, will be made to, and (if applicable) accepted by, LBG Capital No.1. Offers to Exchange Opco Existing Securities will be made to, and (if applicable) accepted by, LBG Capital No.2. An Offer to Exchange will only be considered eligible for acceptance by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) if the Exchange Offer Conditions have been satisfied and, in the case of Non-Clearing System Existing Securities only, such Offer to Exchange is in respect of a principal amount/liquidation preference at least equal to the Minimum Existing Holding. Neither ECN Issuer nor Lloyds Banking Group is under any obligation to Holders to accept any or all Offers to Exchange, and each of them may decide not to accept Offers to Exchange for any reason.
- (viii) Holders of Holdco Existing Securities who offer to exchange such Existing Securities for ECNs will, if their Offer to Exchange is accepted, receive ECNs issued by LBG Capital No.1 and guaranteed by Lloyds Banking Group in consideration of their agreement to transfer the relevant Holdco Existing Securities to LBG Capital No.1. Holders of Opco Existing Securities who offer to exchange such Existing Securities for ECNs will, if their Offer to Exchange is accepted, receive ECNs issued by LBG Capital No.2 and guaranteed by Lloyds TSB Bank in consideration of their agreement to transfer the relevant Opco Existing Securities to LBG Capital No.2. Any New Shares issued in connection with the Exchange Offer will be issued by Lloyds Banking Group.
- (ix) Where an Offer to Exchange Existing Preference Shares for ECNs is made to Lloyds Banking Group, and such Offer to Exchange is accepted, Lloyds Banking Group will procure that the relevant ECN Issuer will issue the corresponding amount of ECNs and will pay or agree to pay the relevant ECN Issuer an amount equal to the value of the Existing Preference Shares (disregarding Accrued Dividends) as at the Early Settlement Date plus any additional amount as described in (t) below in paying up those ECNs. Where an Offer to Exchange Existing Securities (other than Existing Preference Shares) for the Exchange Consideration Amount is made to either ECN Issuer, and such Offer to Exchange is accepted in exchange for New Shares, the relevant ECN Issuer will procure that Lloyds Banking Group will issue the relevant number of New Shares and will pay or agree to pay Lloyds Banking Group an amount equal to the Exchange Consideration Amount in paying up the New Shares.

- (x) An Offer to Exchange Non-Clearing System Existing Securities will only be considered eligible for acceptance by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) if it relates to a principal amount/liquidation preference at least equal to the relevant Minimum Existing Holding. Subject thereto, Holders may only Offer to Exchange a principal amount/liquidation preference of Existing Securities which is equal to, or an integral multiple of, the specified denomination(s) or liquidation preference (as the case may be) of the relevant series of Existing Securities.
- (xi) Lloyds Banking Group, acting on behalf of itself and the ECN Issuers, intends to announce, *inter alia*, whether it, LBG Capital No.1 or LBG Capital No.2 (as the case may be) accepts Offers to Exchange on the Results Announcement Date.

Acceptance of Offers to Exchange and scaling

- (b) Upon expiration of the Exchange Offer Period, the relevant ECN Issuer or Lloyds Banking Group (as the case may be) will, if it accepts any Offers to Exchange, accept Offers to Exchange in accordance with the ECA Priority (as set out in Appendix 1 (“ECA Priority”) to this Exchange Offer Memorandum) when accepting Offers to Exchange for the relevant Exchange Consideration Amount, and in accordance with the ECN Priority (as set out in Appendix 2 (“ECN Priority”) to this Exchange Offer Memorandum) when accepting Offers to Exchange into ECNs.
- (c) The relevant ECN Issuer or Lloyds Banking Group will accept Offers to Exchange in accordance with the relevant Exchange Priority (and pursuant to the operation of the Exchange Priorities as described in Appendix 3) as set out above until either (i) in the case of each Exchange Priority, it has accepted all of the Existing Securities validly offered and eligible for exchange; (ii) in the case of the ECN Priority, the aggregate principal amount of all series of ECNs to be issued in exchange for Existing Securities is the maximum such amount that can be issued without exceeding the Maximum ECN New Issue Amount; or (iii) in the case of the ECA Priority, the aggregate value of Exchange Consideration to be issued and paid in exchange for Existing Securities is the maximum such amount that can be issued and paid without exceeding the Maximum Exchange Consideration Amount. Where the acceptance in accordance with the relevant Exchange Priority of all valid Offers to Exchange of a particular series or class of Existing Securities (being the lowest priority series or class of Existing Securities being accepted in accordance with the relevant Exchange Priority) would require a greater aggregate amount of the relevant series or class of New Securities to be issued, or cash to be paid, than the Maximum ECN New Issue Amount or the Maximum Exchange Consideration Amount, as the case may be, in the case of that particular series or class of Existing Securities, the relevant ECN Issuer or Lloyds Banking Group (as the case may be) will accept such Offers to Exchange on a *pro rata* basis, as described below, and the Issuers will not accept any Offers to Exchange in respect of any series or class of Existing Securities ranking after such series or class in accordance with the relevant Exchange Priority.
- (d) Holders whose Existing Securities Offered for Exchange are not accepted, or who do not participate in the Exchange Offer, will not be eligible to receive New Securities or cash in exchange for such Existing Securities and shall continue to hold such Existing Securities subject to their terms and conditions.

Scaling of Offers to Exchange

- (e) Where, in the circumstances set out above, Offers to Exchange in respect of a particular series or class of Existing Securities are to be accepted by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) on a *pro rata* basis, for the purposes of such acceptance each such Offer to Exchange will be scaled by a factor equal to (i) the maximum aggregate principal amount/liquidation preference of the Existing Securities of such series or class that can be accepted by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) for exchange (after taking into account the Existing Securities of the other relevant series or classes that are to be accepted for exchange first in accordance with the relevant Exchange Priority) without the aggregate principal amount of the ECNs or Exchange Consideration Amount exceeding the Maximum ECN New Issue Amount or Maximum Exchange Consideration Amount respectively, divided by (ii) the aggregate principal amount/liquidation preference of all of the Existing Securities of such series or class that have been validly Offered for Exchange.

- (f) In the event of such scaling of Offers to Exchange, the relevant ECN Issuer or Lloyds Banking Group (as the case may be) will only accept Offers to Exchange subject to scaling to the extent such scaling would not result in the relevant Holder Offering to Exchange Non-Clearing System Existing Securities of less than the Minimum Existing Holding. A Holder whose Existing Securities are accepted for exchange in the Exchange Offer (including after any scaling) and who, following the exchange of such Existing Securities on the relevant Settlement Date, will, where relevant, continue to hold in its account with the relevant Clearing System a principal amount/liquidation preference of Existing Securities which is less than the minimum denomination for such series or class (whether by virtue of such scaling or otherwise), would need to purchase a principal amount/liquidation preference of Existing Securities of such series or class such that its holding amounts to at least the amount of such minimum denomination. Otherwise such residual holding may not be tradeable in the Clearing Systems.

Exchange for ECNs

- (g) On the Early Settlement Date, subject to the satisfaction or waiver (if permitted) of the Exchange Offer Conditions, LBG Capital No.1 will deliver, or procure that ECNs will be delivered, to the Holders in respect of the Existing Securities of such Holders validly Offered for Exchange under the Exchange Offer pursuant to the terms set out in this Exchange Offer Memorandum and accepted for exchange pursuant to the ECN Priority by the relevant ECN Issuer or Lloyds Banking Group (as the case may be). In addition, on the Early Settlement Date, the relevant ECN Issuer or Lloyds Banking Group (as the case may be) will pay, or procure that there is paid, to Holders in respect of the Existing Securities of such Holders validly Offered for Exchange and accepted for exchange pursuant to the ECN Priority by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) a cash amount equal to the Accrued Interest Payment or Accrued Dividends Payment (as the case may be) on such Existing Securities.

Exchange for Exchange Consideration Amount

- (h) Holders whose Offers to Exchange their Existing Securities have been accepted pursuant to the ECA Priority by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) will receive the relevant Exchange Consideration approximately 90 days after the Expiration Deadline, on the Late Settlement Date. LBG Capital No.1 will, in its sole discretion, decide whether Holders of the relevant series or classes of Existing Securities will receive New Shares and/or cash and/or in the limited circumstances described below, Additional ECNs, and will announce the results of that decision on 12 February 2010. In addition, on the Late Settlement Date, the relevant ECN Issuer or Lloyds Banking Group (as the case may be) will pay, or procure that there is paid, to Holders in respect of the Existing Securities of such Holders validly Offered for Exchange and accepted for exchange pursuant to the ECA Priority by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) a cash amount equal to the Accrued Interest Payment or Accrued Dividends Payment (as the case may be) with respect to such Existing Securities.
- (i) Holders who receive New Shares pursuant to the Exchange Offer will, subject to subparagraph 1(l) below, receive such number of New Shares per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as applicable) of their Existing Securities which are accepted for exchange, equal to the relevant Exchange Consideration Amount divided by the product of the New Shares Price and the FX Rate (where applicable), as further described in "Pricing of the New Securities – New Shares Price".

Exchange for Additional ECNs

- (j) It is possible that the New Share Price may result in the aggregate number of New Shares which would be required to be issued by Lloyds Banking Group to satisfy the aggregate Exchange Consideration Amount payable to Holders whose Offers to Exchange have been accepted (which aggregate number for this purpose shall be deemed to include any New Shares in respect of which the relevant ECN Issuer or Lloyds Banking Group (as the case may be) has elected to pay in cash in lieu, as contemplated in paragraph 1(h) above), exceeding the Maximum Approved Amount. In such circumstances, Lloyds Banking Group will allocate to those Holders whose Offers to Exchange have been accepted, the maximum number of New Shares available to be issued, in accordance with the ECA Priority.

- (k) Where the allocation of such New Shares in respect of all Offers to Exchange which have been accepted in a particular series or class of Existing Securities (after taking into account the Existing Securities of the other relevant series or classes that are to be allocated New Shares first, in accordance with the ECA Priority) would require a greater number of New Shares to be allocated than the Maximum Approved Amount, Lloyds Banking Group will allocate the remaining New Shares on a *pro rata* basis within such class or series, by applying a scaling factor in accordance with the procedures set out in paragraph 1(e) above.
- (l) Holders whose Offers to Exchange have been accepted and who do not receive New Shares (or cash in lieu thereof, at the discretion of the relevant ECN Issuer or Lloyds Banking Group (as the case may be)) as a result of the Maximum Approved Amount being exceeded as aforesaid (or who receive only a *pro rata* entitlement to New Shares, in accordance with paragraphs 1(k) above) shall be entitled to receive, on the Late Settlement Date, the relevant Exchange Consideration Amount, or remaining part thereof (as the case may be), in the form of Additional ECNs. Such Holders will receive the relevant series of Additional ECNs as set out in Part III (“Summary Offering Table and Exchange Options Overview”) in an aggregate principal amount/liquidation preference equal to the aggregate principal amount/liquidation preference of Existing Securities (or, if applicable, the relevant part thereof) which have been accepted for exchange by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) (notwithstanding the Exchange Option selected by the relevant Holder when Offering to Exchange its Existing Securities). It is therefore possible that a Holder may receive the Exchange Consideration Amount to which he is entitled in New Shares, cash or Additional ECNs, or a combination thereof.
- (m) For the purposes of the preceding paragraphs. The Maximum Approved Amount is calculated as follows:

$$MAA = \frac{TECA}{75\% \times CP}$$

where:

“CP” means the Conversion Price;

“MAA” means Maximum Approved Amount; and

“TECA” means in respect of Offers for Exchange accepted for Exchange Consideration, the total such Exchange Consideration Amount, provided this amount shall not exceed £1.5 billion.

The Maximum Approved Amount will be calculated on 27 November 2009, provided that if at any time on or prior to the Late Settlement Date there shall be an adjustment to the Conversion Price in accordance with the ECN Deed Poll, the Maximum Approved Amount shall be re-calculated on the basis of such adjusted Conversion Price.

Other Considerations

- (n) Each series of ECNs, including any Additional ECNs, will be initially represented by one or more Temporary Global Notes or Global Certificates (as the case may be), which will be held by a common depository on behalf of the relevant Clearing Systems. Holders who Offer to Exchange their Existing Securities must maintain, or where relevant, procure, access to an account with the Clearing Systems through which such ECNs or Additional ECNs can be traded, and to which any Accrued Interest Payments or Accrued Dividends Payments (as the case may be), may be credited. The ECN Issuers will not issue ECNs in definitive form or which are cleared through CREST. As Holders may, in certain limited circumstances, be allocated Additional ECNs by way of Exchange Consideration and may therefore receive ECNs whichever Exchange Option they have selected (in accordance with the procedures set out herein), Holders who do not have access to a Clearing System account would need to procure such access in order to receive any ECNs to which they may become entitled pursuant to the Exchange Offer. **Offers to Exchange Existing Securities received from Holders which do not provide details of a valid Clearing System account may not be accepted by either ECN Issuer or Lloyds Banking Group (as the case may be).**

- (o) The ECNs will be issued in denominations equal to the (or, in certain circumstances, the lowest) denomination or liquidation preference (as the case may be) of the corresponding series of Existing Securities Offered for Exchange, as further detailed in Part B of Appendix 6 (“Pricing Schedules relating to the ECNs”) to this Exchange Offer Memorandum. The New Shares will, upon issue, constitute Ordinary Shares in the capital of Lloyds Banking Group. Application will be made for the New Securities to be admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange’s Regulated Market.
- (p) Participating Holders may only revoke their Offers to Exchange in the limited circumstances set out under “Revocation Rights” below.
- (q) None of the ECN Issuers, Lloyds Banking Group, the Dealer Managers, any Existing Securities Trustee or the Exchange Agent (or their respective directors, employees or affiliates) makes any recommendation as to whether or not Holders should Offer to Exchange their Existing Securities.
- (r) Notwithstanding any other provision of this Exchange Offer Memorandum, the ECN Issuers or Lloyds Banking Group or any other member of the Group may, at any time, acquire the Existing Securities which are not Offered for Exchange, or which are offered but not accepted, pursuant to privately agreed market transactions at a price which may be more or less favourable than the terms of the Exchange Offer.
- (s) Where Holders Offer to Exchange their Existing Securities for ECNs, the relevant ECN Issuer will treat the ECNs as issued for a consideration equal to the aggregate of (i) the value of the Existing Securities acquired by that ECN Issuer pursuant to the Exchange Offer or, where applicable, the proceeds of repurchase of the Existing Preference Shares that are applied in subscription for ECNs as described in sub-paragraph 1(t) below and (ii) the amount of any payment due or received from Lloyds Banking Group as described in sub-paragraph 1(t) below. A summary of recent dealing prices of Existing Securities is set out in Appendix 8 (“Recent Prices of the Existing Securities”) to this Exchange Offer Memorandum.
- (t) The terms of the Exchange Offer may result in a company (the “Accepting Company”) accepting an Offer to Exchange Existing Securities made by a Holder and another company, (the “Issuing Company”), issuing New Securities to that Holder. In these circumstances the Accepting Company will (i) procure that the Issuing Company issues the corresponding number/amount of New Securities to the Holder on the relevant Settlement Date and (ii) pay or agree to pay (in the case of Offers to Exchange into ECNs) an amount equal to the value of the relevant Existing Securities (disregarding Accrued Dividends or Accrued Interest) or (in the case of Offers to Exchange for the relevant Exchange Consideration Amount) Exchange Consideration Amount (as the case may be) to the Accepting Company in paying up the New Securities issued. In addition, Lloyds Banking Group will pay to each ECN Issuer the amount, if any, of any difference between the fair value of the Existing Securities acquired by that ECN Issuer or proceeds of repurchase of Existing Securities which are applied in subscription for the ECNs (as the case may be) and the fair value of that ECN Issuer’s liabilities under the ECNs, such payment to be by way of additional consideration for the issue of the ECNs.

2 Exchange Offer Conditions

Notwithstanding any other provision of this Exchange Offer Memorandum, neither ECN Issuer nor Lloyds Banking Group is under any obligation to Holders to accept any or all Offers to Exchange and each of them may decide not to accept Offers to Exchange for any reason. Moreover, the relevant ECN Issuer or Lloyds Banking Group (as the case may be) will not accept any Offer to Exchange from Holders of Existing Securities unless all resolution(s) as may be necessary to approve, effect and implement the Exchange Offer and authorise and permit the creation and allotment of ECNs and New Shares are passed at the Lloyds Banking Group General Meeting (or any adjournment thereof).

3 Pricing of the New Securities

Unadjusted Conversion Price and Conversion Price

The Conversion Price is the price per Ordinary Share at which the ECNs will convert into Ordinary Shares upon the occurrence of a Conversion Trigger. There will be one Conversion Price for all series of ECNs issued pursuant to the Exchange Offer.

The Conversion Price will be calculated by the Lead Dealer Managers on 17 November 2009 by:

- (i) taking the greater of (a) the arithmetic average of the daily per share Volume-Weighted Average Price of Ordinary Shares on the London Stock Exchange (calculated in sterling) for each of the five consecutive trading days commencing on (and including) 11 November 2009 and ending on and including 17 November 2009 and (b) 90 per cent. of the closing price of an Ordinary Share on the London Stock Exchange on 17 November 2009 (the “Unadjusted Conversion Price”); and
- (ii) multiplying the Unadjusted Conversion Price by the Rights Issue Factor.

The Volume-Weighted Average Price for any trading day means the per share volume-weighted average price of Ordinary Shares on the London Stock Exchange (calculated in sterling) on that trading day as displayed under the heading “Bloomberg VWAP” on Bloomberg Page “LLOY <equity> AQR” (or its equivalent successor page if such page is not available) for the period from the scheduled open of trading on the London Stock Exchange on the relevant trading day until the scheduled close of trading on the London Stock Exchange on the relevant trading day (or if such Volume Weighted Average Price is unavailable, the market price of one share of Ordinary Shares on the relevant trading day determined, using a volume-weighted average method, by a financial institution or person (acting as an expert) appointed by LBG Capital No.1 for this purpose).

The Rights Issue Factor shall be determined as follows:

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

where:

RIF is the Rights Issue Factor;

A is the number of Ordinary Shares in issue on 27 November 2009;

B is the number of Ordinary Shares which the aggregate consideration receivable for the Ordinary Shares issued in the Rights Issue would purchase at the Current Market Price per Ordinary Share on 27 November 2009; and

C is the number of Ordinary Shares to be issued in the Rights Issue.

“Current Market Price” means, in respect of an Ordinary Share at 27 November 2009, the arithmetic average of the daily per share Volume-Weighted Average Price of Ordinary Shares on the London Stock Exchange (calculated in sterling) as displayed under the heading “Bloomberg VWAP” on Bloomberg Page “LLOY <equity> AQR” (or its equivalent successor page if such page is not available) for each of the 10 consecutive trading days commencing on (and including) 13 November 2009 and ending, (on and including) 26 November 2009.

The Unadjusted Conversion Price will be announced on 18 November 2009 and the Conversion Price will be announced on 27 November 2009. The Conversion Price will be subject to adjustment from time to time in accordance with the ECN Deed Poll.

Fixed Rate of Exchange

The Lead Dealer Managers will determine the Fixed Rate of Exchange (for the purposes of determining the Maximum ECN New Issue Amount and the Maximum Exchange Consideration Amount) for the conversion of each of dollars, euro and yen into Sterling, in each case by reference to the spot rate of exchange for the relevant currencies prevailing at or about noon (London time) on 17 November 2009, as appearing on or derived from the Relevant Page. Each Fixed Rate of Exchange will be announced pursuant to the UCP Announcement.

New Shares Price

The New Shares Price will be calculated by the Lead Dealer Managers on 11 February 2010 by taking the greater of (i) the arithmetic average of the daily per share Volume-Weighted Average Price of Ordinary Shares on the London Stock Exchange (calculated in sterling) for each of the five consecutive trading days commencing on (and including) 5 February 2010 and ending on and including 11 February 2010, and (ii) 90 per cent. of the closing price of an Ordinary Share on the London Stock Exchange on 11 February 2010. On 11 February 2010, the Dealer Managers will also determine the prevailing exchange rates for the conversion of sterling into dollars, euro and yen (each, a relevant “FX Rate”).

The number of New Shares to be issued (subject to Lloyds Banking Group's option to settle in cash) in exchange for each £1,000, €1,000, U.S.\$1,000 or ¥1,000, as the case may be, of Existing Securities accepted for exchange will be equal to the relevant Exchange Consideration Amount, as specified in Part III ("Summary Offering Table and Exchange Options Overview") of this Exchange Offering Memorandum, divided by the product of the New Shares Price and the relevant FX Rate (if applicable).

As the New Shares Price will not be calculated until after the Expiration Deadline, Holders will not know the number of New Shares which they would be entitled to receive upon their Offer to Exchange being accepted for exchange into New Shares until the New Shares Price is announced on 12 February 2010 in the Exchange Consideration Announcement.

4 Exchange Ratio

Holders whose Offers to Exchange their Existing Securities have been accepted by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) and who will, following such acceptance, be entitled to ECNs (including Additional ECNs), will receive ECNs of the relevant series specified in Part III ("Summary Offering Table and Exchange Options Overview") of this Exchange Offer Memorandum, in an aggregate principal amount equal to the aggregate principal amount/liquidation preference of the corresponding series of Existing Securities which has been accepted for exchange.

Holders whose Offers to Exchange their Existing Securities have been accepted by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) in exchange for New Shares, will receive such number of New Shares in return for each £1,000, €1,000, U.S.\$1,000 or ¥1,000, as the case may be, in principal amount/liquidation preference of Existing Securities accepted for exchange for New Shares, equal to the relevant Exchange Consideration Amount divided by the product of the New Shares Price and the relevant FX Rate (if applicable). If a Holder would be entitled to receive a number of New Shares which is not a whole number, any fractional entitlements will be rounded down to the nearest whole number and Holders will not receive any such fractional entitlements. For the purposes of such calculation, the number of New Shares to be issued shall be calculated on the basis of the aggregate principal amount/liquidation preference of the Existing Securities which have been accepted for exchange by the relevant ECN Issuer or Lloyds Banking Group (as the case may be).

Holders whose Offers to Exchange have been accepted by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) and who will, following such acceptance, be entitled to cash, will receive a cash amount equal to the relevant Exchange Consideration Amount per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as applicable) in principal amount/liquidation preference of Existing Securities which are accepted for exchange, payable in the same currency as the relevant series or class of Existing Securities which has been accepted for exchange.

5 Accrued Interest and Accrued Dividends

On the applicable Settlement Date, the relevant ECN Issuer or Lloyds Banking Group (as the case may be) will pay, or procure that there is paid, to all Holders who have validly Offered to Exchange Existing Securities pursuant to the Exchange Offer and which Existing Securities the relevant ECN Issuer or Lloyds Banking Group (as the case may be) has accepted, an amount in cash equal to interest or dividends (as the case may be) accrued and unpaid on such Existing Securities from (and including) the immediately preceding interest payment date, dividend payment date or dividend period end date (as the case may be) in respect of the Existing Securities up to (but excluding) the relevant Settlement Date.

Where Holders will receive ECNs pursuant to the Exchange Offer, provided that the relevant ECN Issuer has deposited the ECNs and the relevant funds have been deposited with the Clearing Systems on or before the Early Settlement Date (or, in the case of Additional ECNs, the Late Settlement Date), additional interest will not be payable for the period of any delay in respect of the receipt by the Holder of the ECNs or any Accrued Interest Payment or Accrued Dividends Payment (as the case may be).

In the event that a Holder, whose Offer to Exchange is accepted in exchange for the relevant Exchange Consideration, is allocated Additional ECNs in accordance with the procedures set out in paragraph 1(j) to 1(m) above, such Holder will receive the relevant Additional ECNs on the Late Settlement Date. The relevant Accrued Interest Payment or Accrued Dividends Payment (as the case may be) will be payable in respect of the period from (and including) the immediately preceding interest payment date, dividend payment date or dividend period end date (as the case may be) in respect of the Existing Securities up to (but excluding) the Late Settlement Date.

Where the relevant Additional ECNs are to be fungible with an existing series of ECNs, such Additional ECNs are expected to become fungible with the relevant existing series of ECNs on the first interest payment date of those Additional ECNs.

6 Announcements

UCP Announcement

Lloyds Banking Group will, acting on behalf of itself and the ECN Issuers, announce the Unadjusted Conversion Price and each Fixed Rate of Exchange on 18 November 2009.

Results Announcement

Lloyds Banking Group will, on behalf of itself and the ECN Issuers, announce the following on the Results Announcement Date: (i) whether valid Offers to Exchange pursuant to the Exchange Offer are accepted; (ii) the aggregate principal amount/liquidation preference of each series or class of Existing Securities that each ECN Issuer or Lloyds Banking Group (as the case may be) will be accepting for exchange; (iii) where Holders have Offered to Exchange Existing Securities pursuant to Exchange Options 3 or 4, whether the relevant Holders will receive ECNs or the relevant Exchange Consideration Amount (or both); (iv) whether Offers to Exchange for each series or class of Existing Securities are to be accepted in full (if at all) or on a *pro rata* basis and, where accepted on a *pro rata* basis, the extent to which such Offers to Exchange will be scaled; (v) each New Issue Amount; (vi) the Early Settlement Date; and (vii) the Late Settlement Date.

Conversion Price Announcement

Lloyds Banking Group will, acting on behalf of itself and the ECN Issuers, announce the Conversion Price on 27 November 2009.

Exchange Consideration Announcement

On 12 February 2010, Lloyds Banking Group will, on behalf of itself and the ECN Issuers, announce the following: (i) the New Shares Price; (ii) each FX Rate; (iii) whether Holders who will receive the relevant Exchange Consideration Amount will receive the relevant Exchange Consideration in the form of New Shares, cash and/or, in the applicable limited circumstances, Additional ECNs; and (iv) the number of New Shares that will be received by Holders per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as applicable) in principal amount/liquidation preference of the relevant Existing Securities, which Existing Securities have been accepted for Exchange into New Shares.

General

Unless stated otherwise, announcements in connection with the Exchange Offer will be made by RNS by Lloyds Banking Group on behalf of itself and the ECN Issuers. Such announcements may also be found on the relevant Reuters International Insider Screen and be made by (i) the issue of a press release to a Notifying News Service; (ii) the delivery of notices to the Clearing Systems for communication to Direct Participants; (iii) display on the Luxembourg Stock Exchange's website; (iv) display on the AFM's website; and/or (v) display on Lloyds Banking Group's website. Copies of all such announcements, press releases and notices can also be obtained from the Exchange Agent, the contact details for which are on the last page of this Exchange Offer Memorandum. In addition, holders of Existing Securities may contact the Dealer Managers for information using the contact details at the end of this Exchange Offer Memorandum.

7 Procedures for participating in the Exchange Offer

Holders of Existing Securities held outside of the Clearing Systems

To offer Existing Securities for exchange pursuant to the Exchange Offer where such Existing Securities are held outside of the Clearing Systems, a Holder should:

- (a) complete and deliver, or arrange to have delivered on its behalf, (i) in the case of Existing Securities held in CREST, a CREST Exchange Instruction, or (ii) in the case of Existing Securities which are not held in CREST, a Non-CREST Exchange Instruction, in each case for receipt by the relevant Registrar (for such Registrar to forward on to the Exchange Agent) by 1.00 p.m., London time, ahead of the Expiration Deadline. Each Non-Clearing System Exchange Instruction should specify the relevant Exchange Option pursuant to which the Holder Offers to Exchange its Existing Securities; and
- (b)
 - (i) where such Existing Securities are held in CREST, at the same time as delivering the CREST Exchange Instruction and in any event not later than 1.00 p.m., London time, ahead of the Expiration Deadline, send (or, in the case of CREST sponsored members, procure that their CREST sponsor sends) a TTE Instruction to EUI, which must be properly authenticated in accordance with EUI's specifications, containing the relevant information set out in "Procedures for Participating in the Exchange Offer – Holders of Existing Securities held in CREST and CREST Procedures"; or
 - (ii) where such Existing Securities are not held in CREST, deliver to the relevant Registrar the certificate or certificates for the Existing Securities which are the subject of such Non-CREST Exchange Instruction together with the Non-CREST Exchange Instruction.

Personalised Non-Clearing System Exchange Instructions will be posted on or around 3 November 2009 to Holders of Existing Securities which are held outside the Clearing Systems.

A Holder may elect to Offer to Exchange part of its holding of Existing Securities on the basis of one Exchange Option and part of its holding on the basis of another Exchange Option, in which case it must specify the principal amount/liquidation preference of Existing Securities it Offers to Exchange pursuant to each Exchange Option elected (and the sum of such principal amounts/liquidation preferences so specified must not exceed the aggregate principal amount/liquidation preference of its holding of such securities).

In order to be able to receive ECNs or Additional ECNs on completion of the Exchange Offer, Holders of Existing Securities held outside of the Clearing Systems who participate in the Exchange Offer (regardless of the Exchange Option selected) must, in completing the Non-Clearing System Exchange Instruction, provide valid securities account numbers in a Clearing System. If a Holder of the Existing Securities held outside of the Clearing Systems does not have such an account but wishes to participate in the Exchange Offer, such Holder would need to procure such access in order to receive any ECNs to which it may become entitled pursuant to the Exchange Offer, and should contact its broker, financial adviser, dealer, bank, custodian, trust company or other nominee as soon as possible to arrange access to an account at either Euroclear or Clearstream, Luxembourg, or contact the Exchange Agent for further information. Offers to Exchange Existing Securities received from Holders which do not provide details of a valid Clearing System account may not be accepted by either ECN Issuer or Lloyds Banking Group (as the case may be).

Each of Equiniti Limited and Capita Registrars Limited are registrar with respect to certain series of the Existing Securities. Holders should refer to the appropriate footnotes in Part III ("Summary Offering Table and Exchange Options Overview") of this Exchange Offer Memorandum to determine which of Equiniti Limited or Capita Registrars Limited is the relevant registrar for its series of Existing Securities. Exchange Instructions delivered to the incorrect registrar will not be accepted for exchange by the relevant ECN Issuer or Lloyds Banking Group (as the case may be).

In order to be eligible to participate in the Exchange Offer, Holders of Non-Clearing System Existing Securities must return (i) the relevant Non-Clearing System Exchange Instruction to the relevant address set out below, by post, or in the case of Equiniti Limited only, by email, and (ii) the relevant TTE Instruction or certificates, as the case may be, to the relevant Registrar, in each case, by the deadlines specified above.

Where the Registrar is Equiniti Limited

Equiniti Limited

Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Tel: 0871 384 2831
(if calling from within the UK)*
Attention: Corporate Actions
Email: offer@equiniti.com

Where the Registrar is Capita Registrars Limited

Capita Registrars Limited

Corporate Actions
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
Tel: 0871 664 9233
(if calling from within the UK)*

* Calls cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.30 p.m. Monday to Friday (except UK public holidays). If calling from outside the UK please call +44 208 495 8082 for Equiniti Limited or +44 800 141 2241 for Capita Registrars Limited.

Holders of Existing Securities held in CREST and CREST Procedures

In addition to completing and delivering, or arranging to have delivered on its behalf, a CREST Exchange Instruction for receipt by the relevant Registrar by 1.00 p.m., London time, ahead of the Expiration Deadline, Holders of Existing Securities held in CREST must also complete the following additional procedures by no later than such deadline.

Each Holder must send (or, for CREST sponsored members, procure that their CREST sponsor sends) a transfer to escrow instruction (TTE Instruction) in respect of that Holder's Existing Securities being offered for exchange specifying the relevant Registrar (in its capacity as a CREST participant under its participant ID referred to below) as the escrow agent to whom such Existing Securities should be transferred at the same time as delivering their CREST Exchange Instruction and in any event so that the transfer to escrow settles by not later than 1.00 p.m., London time, ahead of the Expiration Deadline. **Any CREST Exchange Instruction will not be valid unless and until the TTE Instruction has settled and the relevant Registrar will not take any action in respect of any CREST Exchange Instructions until such time.** The TTE Instruction must be properly authenticated in accordance with EUI's specifications and must contain, in addition to the other information which is required for a TTE Instruction to settle in CREST, the following details:

- (a) the number of Existing Securities to be transferred to an escrow balance;
- (b) the Holder's member account ID;
- (c) the Holder's participant ID;
- (d) the relevant corporate action ISIN number, participant ID and member account ID of the relevant Registrar in its capacity as a CREST receiving agent, which are as set out in Appendix 4 ("Additional Information for TTE Instructions") of this Exchange Offer Memorandum;
- (e) the intended settlement date. This should be as soon as possible and in any event not later than 1.00 p.m., London time, ahead of the Expiration Deadline;
- (f) the corporate action number for the Exchange Offer. This is allocated by EUI and can be found by viewing the relevant corporate action details in CREST; and
- (g) the standard TTE instruction of priority 80.

In completing a TTE Instruction, Holders of Existing Securities held in CREST will be deemed to make the agreements and acknowledgements, and give the representations, warranties and undertakings, to the ECN Issuers, Lloyds Banking Group, the Exchange Agent, the relevant Registrars and the Dealer Managers as set out in Appendix 5 ("TTE Instructions and Non-Clearing System Exchange Instructions – Acknowledgements, Representations, Warranties and Undertakings") to this Exchange Offer Memorandum. If a Holder, or its CREST sponsored member, is unable to make any such agreement or acknowledgement or give any such representation, warranty or undertaking, such Holder or its CREST sponsored member should contact the Exchange Agent immediately.

After settlement of the TTE Instruction, Holders will not be able to access the Existing Securities concerned in CREST for any transaction or charging purposes (subject to the limited revocation rights of Holders described in "Terms of the Exchange Offer – Revocation Rights" below) until the

Exchange Offer is terminated or concluded. If LBG Capital No.1 announces that it, LBG Capital No.2 or Lloyds Banking Group has decided to accept valid Offers to Exchange such Existing Securities pursuant to the Exchange Offer, the relevant Registrar (in its capacity as escrow agent) will transfer the Existing Securities concerned to itself or as directed by Lloyds Banking Group.

Holders are recommended to refer to the CREST Manual for further information on the CREST procedures outlined above. Lloyds Banking Group may treat any amount of Existing Securities transferred to an escrow balance in favour of the relevant Registrar as relating to any CREST Exchange Instruction(s) which specify the same participant ID and member account ID as is specified in the TTE Instruction (up to the amount of Existing Securities inserted or deemed to be inserted in the Non-Clearing System Exchange Instruction(s) concerned).

Holders of the Existing Securities should note that normal system timings and limitations will apply in connection with a TTE Instruction given in respect of the relevant Exchange Offer. Holders are referred to the sections of the CREST Manual concerning practical limitations of the CREST System and timings.

Holders of Existing Securities held outside of the Clearing Systems and not held in CREST

In addition to completing and delivering, or arranging to have delivered on its behalf, a Non-CREST Exchange Instruction for receipt by the relevant Registrar by 1.00 p.m., London time, ahead of the Expiration Deadline, Holders of Existing Securities held outside of the Clearing Systems and not held in CREST must also deliver to the relevant Registrar, together with their Non-CREST Exchange Instruction, the certificate or certificates for the Existing Securities which are the subject of such Non-CREST Exchange Instruction. In completing a Non-CREST Exchange Instruction, Holders of Existing Securities held outside of CREST will be deemed to make the agreements and acknowledgements, and give the representations, warranties and undertakings, to the ECN Issuers, Lloyds Banking Group, the Exchange Agent, the Registrars and the Dealer Managers as set out in Appendix 5 (“TTE Instructions and Non-Clearing System Exchange Instructions – Acknowledgements, Representations, Warranties and Undertakings”) of this Exchange Offer Memorandum. If a Holder is unable to make any such agreement or acknowledgement or give any such representation, warranty or undertaking, such Holder should contact the Exchange Agent immediately. Such Holders will also be required to provide certain additional information for the purposes of the delivery to them of the relevant New Securities if their offers of Existing Securities for exchange are accepted by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) (including details of valid Clearing System securities account numbers), all as set out in the Non-CREST Exchange Instruction.

Holders of the Existing Securities held outside of the Clearing Systems and not held in CREST who have lost their certificate(s) should notify the relevant Registrar by telephone as soon as possible, and in any event no later than 1.00 p.m., London time, ahead of the Expiration Deadline, to obtain a declaration and indemnity for return to the relevant Registrar by not later than the Expiration Deadline. Indemnities will only be accepted in lieu of certificates at the discretion of the relevant ECN Issuer or Lloyds Banking Group (as the case may be). A Non-CREST Exchange Instruction for Existing Securities held outside of the Clearing Systems and not held in CREST will not be valid unless or until the certificate(s) in respect of the Existing Securities to which such Non-CREST Exchange Instruction relates has/have been received by the relevant Registrar or a duly completed declaration and indemnity has been received by the relevant Registrar and accepted by the relevant ECN Issuer or Lloyds Banking Group (as the case may be).

Existing Securities held through Euroclear and/or Clearstream, Luxembourg

The offering of Existing Securities for exchange by a Holder where such Existing Securities are held in a Clearing System will be deemed to have occurred upon receipt by the Exchange Agent from the relevant Clearing System of a valid Clearing System Exchange Instruction submitted in accordance with the requirements of such Clearing System. The Clearing System Exchange Instruction should specify the relevant Exchange Option pursuant to which the Holder Offers to Exchange its Existing Securities. Only one Exchange Option may be specified in each Clearing System Exchange Instruction and, consequently, if any Holder wishes to Offer to Exchange part of its holding of Existing Securities for exchange on the basis of one Exchange Option and part of its holding on the basis of another Exchange Option, it will need to submit separate Exchange Instructions, each specifying the principal amount/liquidation preference of Existing Securities which it Offers to Exchange on the basis of the relevant Exchange Option. The receipt of such Clearing

System Exchange Instruction by the relevant Clearing System will be acknowledged in accordance with the standard practices of such Clearing System and will result in the blocking of the relevant Existing Securities in the Holder's account with the relevant Clearing System so that no transfers may be effected in relation to such Existing Securities.

Holders and Direct Participants must take the appropriate steps through the relevant Clearing System so that no transfers may be effected in relation to such blocked Existing Securities at any time after the date of submission of such Clearing System Exchange Instruction, in accordance with the requirements of the relevant Clearing System and the deadlines required by such Clearing System. By blocking such Existing Securities in the relevant Clearing System, each Direct Participant will be deemed to consent to have the relevant Clearing System provide details concerning such Direct Participant's identity to the Exchange Agent (and for the Exchange Agent to provide such details to the relevant ECN Issuer, Lloyds Banking Group, and the Dealer Managers, and their legal advisers).

Only Direct Participants may submit Clearing System Exchange Instructions. Each Holder that is not a Direct Participant must arrange for the Direct Participant through which such Holder holds its Existing Securities to submit a valid Clearing System Exchange Instruction on its behalf to the relevant Clearing System before the deadlines specified by the relevant Clearing System.

It is a term of the Exchange Offers that Exchange Instructions are irrevocable except in the limited circumstances described in "Amendment and Termination". In such circumstances, Clearing System Exchange Instructions may be revoked by a Holder, or the relevant Direct Participant on its behalf, by submitting a valid electronic withdrawal instruction to the relevant Clearing System. To be valid, such instruction must specify the Existing Securities to which the original Clearing System Exchange Instruction related, the securities account to which such Existing Securities are credited and any other information required by the relevant Clearing System.

By submitting a valid Clearing System Exchange Instruction to the relevant Clearing System in accordance with the standard procedures of such Clearing System, a Holder and any Direct Participant submitting such Exchange Instruction on such Holder's behalf shall be deemed to make the acknowledgements, representations, warranties and undertakings set out below, to the ECN Issuers, Lloyds Banking Group, the Exchange Agent, the relevant Registrar and the Dealer Managers at the Expiration Deadline and at the time of settlement on the Settlement Date (if a Holder or Direct Participant is unable to make any such agreement or acknowledgement or give any such representation, warranty or undertaking, such Holder or Direct Participant should contact the Exchange Agent immediately).

Additional Procedures for Holders who select Exchange Options 2, 3 and 4

Holders of Existing Securities which are held through the Clearing Systems and who select Exchange Options 2, 3 or 4 must provide the following additional information in the relevant Exchange Instruction for the purposes of receiving New Shares:

- (a) where relevant, details of the CREST account (including at least the CREST Participant ID and the Member Account ID) into which any New Shares should be delivered; and
- (b) the name and address details of the person or entity whose name should be entered on the Shareholders Register and to whom any definitive certificates representing the relevant number of New Shares should be delivered.

The ECN Issuers and Lloyds Banking Group may not accept any Offer to Exchange Existing Securities pursuant to Exchange Options 2, 3 and 4 if the information set out above is not provided as part of the relevant Exchange Instruction.

8 Settlement Procedures with respect to Existing Preference Shares

By submitting an Exchange Instruction in relation to Existing Preference Shares in accordance with the procedures set out herein, each Holder of such Existing Preference Shares:

- (a) in the case of Offers to Exchange for ECNs:
 - (i) undertakes to pay to Lloyds Banking Group a cash amount equal to the value of the Existing Preference Shares (disregarding Accrued Dividends) (the "ECN Cash Amount");
 - (ii) instructs Lloyds Banking Group to apply such ECN Cash Amount in procuring the payment up and delivery of the relevant series of ECNs;

- (iii) agrees to transfer free of all encumbrances and with full title guarantee with effect from the Early Settlement Date, its Existing Preference Shares to, and for the Existing Preference Shares to be held in, a custody account in the name of or on behalf of either (a) the relevant Registrar (with respect to Existing Preference Shares held in CREST or in certificated form outside the Clearing Systems), or (b) BNY Corporate Trustee Services Limited (in the case of Existing Preference Shares held in the Clearing Systems), in each case as trustee (in such capacity, the "Settlement Trustee"), to hold such Existing Preference Shares on trust for the Holder;
 - (iv) waives any dividends or other payments due in respect of such Existing Preference Shares from (and including) the Early Settlement Date;
 - (v) acknowledges that on the Early Settlement Date (or, in the case of any Existing Preference Shares received in the relevant trust after such date, as soon as practicable after such receipt), such Existing Preference Shares shall be repurchased by Lloyds Banking Group from the Settlement Trustee as trustee on behalf of the Holder, in each case for an amount in cash equal to the relevant ECN Cash Amount, such repurchase by Lloyds Banking Group to be effected, on the Early Settlement Date on a delivery free of payment basis; and
 - (vi) irrevocably directs, authorises, empowers and instructs the Settlement Trustee as trustee to:
 - (a) effect such repurchase, described in sub-paragraph (a)(v) above, on its behalf;
 - (b) direct Lloyds Banking Group to apply any amount owed to the Settlement Trustee (on behalf of the Holder) by Lloyds Banking Group in respect of the repurchase described in paragraph (a)(v) above in satisfaction of the amount owed by the Holder to Lloyds Banking Group pursuant to its undertaking in paragraph (a)(i) above and Lloyds Banking Group shall accept such amount in satisfaction of that payment obligation; and
 - (c) do all such acts and things as shall be necessary and execute any documents deemed by the Settlement Trustee to be desirable, in each case to complete such repurchase, effect payment of consideration (including any set-off or other payment directions) and/or perfect any of the authorities given to the Settlement Trustee as trustee;
 - (vii) acknowledges that Lloyds Banking Group shall procure the issue of ECNs to the Holder only after the trade described in paragraph (a)(v) has been effected;
 - (viii) acknowledges that the Settlement Trustee's obligations in connection with any Exchange shall be satisfied upon the completion of the repurchase and payment direction described in paragraph 8(a)(vi) above and that the Settlement Trustee shall not be responsible for any failure by Lloyds Banking Group to perform its obligations in respect of any exchange pursuant to the Exchange Offer; and
 - (ix) acknowledges that, with respect to the Settlement Trustees, the rights, powers, duties, authorities and obligations of each Settlement Trustee are set out in a trust deed dated 3 November 2009 and in the case of the relevant Registrar as Settlement Trustee, made between Lloyds Banking Group and Equiniti Limited, and in the case of BNY Corporate Trustee Services Limited as Settlement Trustee made between Lloyds Banking Group and BNY Corporate Trustee Services Limited, and that each such Holder shall be subject to and bound by the terms thereof; or
- (b) in the case of Offers to Exchange for the relevant Exchange Consideration Amount:
- (i) undertakes to pay to Lloyds Banking Group a cash amount equal to the relevant Exchange Consideration Amount (the "ECA Cash Amount");
 - (ii) instructs Lloyds Banking Group to apply such ECA Cash Amount in paying or delivering or procuring the payment or delivery of, the relevant Exchange Consideration;
 - (iii) agrees to transfer free of all encumbrances and with full title guarantee its Existing Preference Shares to, and for the Existing Preference Shares to be held in, a custody account in the name of or on behalf of either (a) the relevant Registrar (with respect to Existing Preference Shares held in CREST or in certificated form outside the Clearing Systems) with effect from the Early Settlement Date or (b) BNY Corporate Trustee

Services Limited (in the case of Existing Preference Shares held in the Clearing Systems) with effect from the Late Settlement Date, in each case as Settlement Trustee, to hold such Existing Preference Shares on trust for the Holder. For the avoidance of doubt, any sums derived from the Existing Preference Shares shall be returned to the Holder by the Settlement Trustee;

- (iv) waives any dividends or other payments due in respect of such Existing Preference Shares from (and including) the Late Settlement Date;
- (v) acknowledges that on the Late Settlement Date, such Existing Preference Shares shall be repurchased by Lloyds Banking Group from the Settlement Trustee as trustee on behalf of the Holder, in each case for a cash amount equal to the relevant ECA Cash Amount, such repurchase by Lloyds Banking Group to be effected on the Late Settlement Date on a delivery free of payment basis;
- (vi) irrevocably directs, authorises, empowers and instructs the Settlement Trustee as trustee to:
 - (a) effect such repurchase, described in sub-paragraph (b)(v) above, on its behalf;
 - (b) direct Lloyd's Banking Group to apply any amount owed to the Settlement Trustee (on behalf of the Holder) by Lloyds Banking Group in respect of the repurchase described in paragraph (b)(v) above in satisfaction of the amount owed by the Holder to Lloyds Banking Group pursuant to its undertaking in paragraph (b)(i) above and Lloyds Banking Group shall accept such amount in satisfaction of that payment obligation; and
 - (c) do all such acts and things as shall be necessary and execute any documents deemed by the Settlement Trustee to be desirable, in each case to complete such repurchase, effect payment of consideration (including any set-off or other payment directions) and/or perfect any of the authorities given to the Settlement Trustee as trustee; and
- (vii) acknowledges that Lloyds Banking Group shall procure the issue or payment of the relevant Exchange Consideration Amount to the Holder only after the trade described in paragraph (b)(v) has been effected;
- (viii) acknowledges that the Settlement Trustee's obligations in connection with any Exchange shall be satisfied upon the completion of the repurchase and payment direction described in paragraph 8(b)(vi) above and that the Settlement Trustee shall not be responsible for any failure by Lloyds Banking Group to perform its obligations in respect of any exchange pursuant to the Exchange Offer; and
- (ix) acknowledges that, with respect to the Settlement Trustees, the rights, powers, duties, authorities and obligations of each Settlement Trustee are set out in a trust deed dated 3 November 2009 and in the case of the relevant Registrar as Settlement Trustee, made between Lloyds Banking Group and Equiniti Limited, and in the case of BNY Corporate Trustee Services Limited as Settlement Trustee made between Lloyds Banking Group and BNY Corporate Trustee Services Limited, and that each such Holder shall be subject to and bound by the terms thereof.

9 Acknowledgements, Representations, Warranties and Undertakings

When submitting a Non-Clearing System Exchange Instruction, each Holder (or for CREST sponsored members, the relevant CREST sponsor (on behalf of the relevant Holder) agrees to make the acknowledgements, representations, warranties and undertakings set out in Appendix 5 ("TTE Instructions and Non-Clearing System Exchange Instructions – Acknowledgements, Representations, Warranties and Undertakings") to this Exchange Offer Memorandum.

By submitting a Clearing System Exchange Instruction, each Holder and the relevant Direct Participant (on behalf of the relevant Beneficial Owner) represents, warrants and undertakes that:

- (a) It has received, reviewed and accepts the terms of this Exchange Offer Memorandum.
- (b) It is assuming all the risks inherent in participating in the Exchange Offer, and has undertaken all the appropriate analysis of the implications of the Exchange Offer, without reliance on the ECN Issuers, Lloyds Banking Group, either of the Dealer Managers or the Exchange Agent.

- (c) By blocking Existing Securities in the relevant Clearing System, it will be deemed to consent to the relevant Clearing System providing details concerning its identity to the ECN Issuers, Lloyds Banking Group, the Dealer Managers, the Exchange Agent and their respective legal advisers.
- (d) Upon the terms and subject to the conditions of the Exchange Offer, it Offers to Exchange the principal amount/liquidation preference of Existing Securities in its account blocked in the relevant Clearing System for the relevant ECNs or Exchange Consideration (as applicable).
- (e) If the Existing Securities are accepted for exchange, it acknowledges that (i) the Accrued Interest Payment or Accrued Dividends Payment (as the case may be), if any, will be paid in sterling, euro, dollars or yen, as applicable, (ii) the Accrued Interest Payment or Accrued Dividends Payment (as the case may be) in respect of Existing Securities accepted for exchange will be deposited by or on behalf of the relevant ECN Issuer or Lloyds Banking Group, with the Clearing Systems on the applicable Settlement Date, and (iii) the Clearing Systems thereafter will make payments promptly to the relevant accounts in the Clearing Systems of the relevant Holders. The payment to the Clearing Systems on or before the relevant Settlement Date of the aggregate amount of the Accrued Interest Payments or the Accrued Dividends Payments (as the case may be), or the payment to the relevant bank account of the same, will discharge the obligation of the relevant ECN Issuer or Lloyds Banking Group (as the case may be) to Holders of the Existing Securities in respect of the payment of such amounts.
- (f) It agrees to ratify and confirm each and every act or thing that may be done or effected by either ECN Issuer or Lloyds Banking Group, any of their respective directors or any person nominated by either ECN Issuer or Lloyds Banking Group in the proper exercise of his or her powers and/or authority hereunder.
- (g) It agrees to do all such acts and things as shall be necessary and execute any additional documents deemed by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) to be desirable, in each case to complete the transfer of the Existing Securities to the relevant ECN Issuer or Lloyds Banking Group (as the case may be) or its nominee in exchange for ECNs or the relevant Exchange Consideration and/or to perfect any of the authorities expressed to be given hereunder.
- (h) It has observed the laws of all relevant jurisdictions; obtained all requisite governmental, exchange control or other required consents; complied with all requisite formalities; and paid any issue, transfer or other taxes or requisite payments due from it in each respect in connection with any offer or acceptance in any jurisdiction and that it has not taken or omitted to take any action in breach of the terms of the Exchange Offer, or which will or may result in the ECN Issuers, Lloyds Banking Group, the Dealer Managers, the relevant Registrar, the Exchange Agent or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Exchange Offer, or invitation for Holders to Offer to Exchange Existing Securities in connection therewith.
- (i) All authority conferred or agreed to be conferred pursuant to its representations, warranties and undertakings and all of its obligations shall be binding upon its successors, assigns, heirs, executors, trustees in bankruptcy, insolvency practitioners and legal representatives and shall not be affected by, and shall survive, its death, incapacity, bankruptcy, insolvency or any other similar proceedings.
- (j) No information has been provided to it by the ECN Issuers, Lloyds Banking Group, the Dealer Managers, any Existing Securities Trustee, the Registrars or the Exchange Agent with regard to the tax consequences to Holders, Beneficial Owners or Direct Participants arising from the exchange of Existing Securities in the Exchange Offer or the receipt of New Securities, the relevant Exchange Consideration Amount, or any Accrued Interest Payment and/or Accrued Dividends Payment. It hereby acknowledges that it is solely liable for any taxes and similar or related payments imposed on it under the laws of any applicable jurisdiction as a result of its participation in the Exchange Offer and agrees that it will not and does not have any right of recourse (whether by way of reimbursement, indemnity or otherwise) against the ECN Issuers, Lloyds Banking Group, the Dealer Managers, any Existing Securities Trustee, the Registrars, the Exchange Agent or any other person in respect of such taxes and payments.

- (k) It is not a person to whom it is unlawful to make an invitation pursuant to the Exchange Offer under applicable laws and its has (before submitting, or arranging for the submission on its behalf, as the case may be, of the Clearing System Exchange Instruction in respect of the Existing Securities which it is Offering for Exchange) complied with all laws and regulations applicable to it for the purposes of its participation in the Exchange Offer.
- (l) It acknowledges that New Securities are being offered and sold in transactions not involving a public offering in the United States within the meaning of the Securities Act, and the New Securities have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (terms used in this and the following paragraph that are defined in Regulation S under the Securities Act are used as defined in Regulation S).
- (m) It (i) has not received or been sent copies of this Exchange Offer Memorandum or any related documents in, into or from the United States; (ii) is participating in the Exchange Offer in an offshore transaction in accordance with Regulation S under the Securities Act; (iii) is not located or resident in the United States; (iv) is not an agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal who has given instructions with respect to the Exchange Offer from within the United States or for a U.S. person, (v) has not otherwise utilised in connection with the Exchange Offer, directly or indirectly, the mails, or any means or instrumentality (including, without limitation, facsimile transmission, telex, telephone, email and other forms of electronic transmission) of interstate or foreign commerce, or of any facilities of a national securities exchange, of the United States and (vi) is participating in the Exchange Offer from outside the United States and is not a U.S. person.
- (n) It is, or the relevant Beneficial Owner is, a Non-U.S. Qualified Holder.
- (o) It has full power and authority to submit for exchange and transfer the Existing Securities hereby submitted for exchange and if such Existing Securities are accepted for exchange, such Existing Securities will be transferred to, or to the order of, the relevant ECN Issuer or Lloyds Banking Group (as the case may be) with full title free from all liens, charges and encumbrances, not subject to any adverse claim and together with all rights attached thereto.
- (p) It holds and will hold, until the time of settlement on the relevant Settlement Date, the Existing Securities blocked in the relevant Clearing System and, in accordance with the requirements of the relevant Clearing System and by the deadline required by the relevant Clearing System, it has submitted, or has caused to be submitted, a Clearing System Exchange Instruction to the relevant Clearing System, as the case may be, to authorise the blocking of the submitted Existing Securities with effect on and from the date thereof so that, at any time pending the transfer of such Existing Securities on the relevant Settlement Date to the relevant ECN Issuer or on its behalf and the cancellation thereof, no transfers of such Existing Securities may be effected other than as contemplated in paragraphs 8(a)(iii) and 8(b)(iii) above.
- (q) The terms and conditions of the Exchange Offer shall be deemed to be incorporated in, and form a part of, the Clearing System Exchange Instruction which shall be read and construed accordingly and that the information given by or on behalf of such existing Holder in the Clearing System Exchange Instruction is true and will be true in all respects at the time of the exchange.
- (r) It accepts that the ECN Issuers and Lloyds Banking Group are under no obligation to Holders to accept Offers to Exchange, and accordingly Offers to Exchange may be accepted or rejected by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) for any reason; and it accepts that the relevant ECN Issuer or Lloyds Banking Group (as the case may be) may not be able to accept an Offer to Exchange for a variety of reasons, including, in the case of Non-Clearing System Existing Securities only, failing to Offer to Exchange the relevant Minimum Existing Holding.

The receipt from a Holder or from a Direct Participant on behalf of a Beneficial Owner of a Clearing System Exchange Instruction by the relevant Clearing System will constitute instructions to debit the securities in such Holder's or Direct Participant's account on the relevant Settlement Date in respect of all of the Existing Securities that such Holder or Direct Participant has Offered for Exchange and which have been accepted, upon receipt by the relevant Clearing System of an instruction from the Exchange Agent, to receive those Existing Securities for the account of the

relevant ECN Issuer or Lloyds Banking Group (as the case may be) and (where applicable) against credit of the ECNs and payment by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) of any Accrued Interest Payment or Accrued Dividends Payment (as the case may be), subject to the automatic withdrawal of those instructions in the event that the Exchange Offer is terminated by LBG Capital No.1 with the prior consent of the Dealer Managers (such consent not to be unreasonably withheld or delayed) or the withdrawal of such Clearing System Exchange Instruction (in the limited circumstances in which such withdrawal is permitted) in accordance with the procedure set out in this Exchange Offer Memorandum.

10 Responsibility for Delivery of Exchange Instructions and TTE Instructions

- (a) None of the ECN Issuers, Lloyds Banking Group, the Dealer Managers, the relevant Registrars or the Exchange Agent will be responsible for the communication of Offers to Exchange and corresponding Exchange Instructions, or TTE Instructions, as the case may be, by:
- Beneficial Owners to the Direct Participant through which they hold Existing Securities;
 - the Direct Participant to the relevant Clearing System;
 - CREST sponsored members to the relevant CREST sponsor; or
 - the relevant CREST sponsor to EUI.
- (b) If a Holder holds its Existing Securities through a Direct Participant or is a CREST sponsored member, such Beneficial Owner or CREST sponsored member should contact that Direct Participant or the relevant CREST sponsor, as applicable, to discuss the manner in which exchange acceptances and transmission of the corresponding Exchange Instruction or TTE Instruction, as applicable, and, as the case may be, transfer instructions may be made on its behalf.
- (c) In the event that the Direct Participant through which a Beneficial Owner holds its Existing Securities, or any CREST sponsor, is unable to submit an Exchange Instruction or TTE Instruction, as the case may be, such Beneficial Owner or the relevant CREST sponsored member should telephone the Exchange Agent or the relevant Registrar (as the case may be) for assistance on the numbers provided in this Exchange Offer Memorandum.
- (d) Holders, Direct Participants and Beneficial Owners are solely responsible for arranging the timely delivery of their Exchange Instructions and TTE Instructions.
- (e) If a Beneficial Owner offers its Existing Securities through a Direct Participant, or a Holder is a CREST sponsored member, such Beneficial Owner or CREST sponsored member should consult with that Direct Participant or the relevant CREST sponsor, as the case may be, as to whether it will charge any service fees in connection with the participation in the Exchange Offer.

11 Amendment and Termination

Notwithstanding any other provision of the Exchange Offer, LBG Capital No.1 may, subject to applicable laws, at its option and with the prior consent of the Dealer Managers (such consent not to be unreasonably withheld or delayed), at any time before Lloyds Banking Group, acting on behalf of itself and the ECN Issuers, announces whether it, LBG Capital No.1 or LBG Capital No.2 (as the case may be) accepts valid Offers to Exchange pursuant to the Exchange Offer, which it expects to do on the Results Announcement Date:

- (a) extend the Expiration Deadline or re-open the Exchange Offer, as applicable (in which case all references in this Exchange Offer Memorandum to “Expiration Deadline” shall, unless the context otherwise requires, be to the latest date and time to which the Expiration Deadline has been so extended or the Exchange Offer re-opened);
- (b) otherwise extend, re-open or amend the Exchange Offer in any respect (including, but not limited to, any extension, re-opening, increase, decrease or other amendment, as applicable, in relation to the Expiration Deadline, the relevant Settlement Date, and/or the ECN Conditions);
- (c) delay acceptance or, subject to applicable law, exchange of Existing Securities validly submitted for exchange in the Exchange Offer until satisfaction or waiver (if permitted) of the Exchange Offer Conditions, even if the Exchange Offer has expired; or

- (d) terminate the Exchange Offer in respect of any one or more or all series of Existing Securities, including with respect to Exchange Instructions submitted before the time of such termination.

LBG Capital No.1 also reserves the right at any time to waive, where permissible, any or all of the conditions of the Exchange Offer as set out in this Exchange Offer Memorandum.

LBG Capital No.1 will ensure Holders are notified of any such extension, re-opening, amendment or termination as soon as is reasonably practicable after the relevant decision is made through RNS.

12 Revocation Rights

If during the Exchange Offer Period, (i) any amendment to the terms and conditions of the Exchange Offer (including to the terms of the ECNs) is made by LBG Capital No.1 (as set out in "Amendment and Termination" above) and, in LBG Capital No.1's opinion (in consultation with the Dealer Managers), such amendment is materially prejudicial to Holders that have already submitted Exchange Instructions before the announcement of such amendment (which announcement shall include a statement that in LBG Capital No.1's opinion such amendment is materially prejudicial to such Holders), or (ii) any supplement to this Exchange Offer Memorandum is published, then such Exchange Instructions may be revoked at any time during the period of two Business Days starting on the day following such announcement, notification or publication. For the avoidance of doubt, and without prejudice to the generality of the foregoing, a decision by the relevant ECN Issuer or Lloyds Banking Group (as the case may be), with the prior consent of the Dealer Managers (such consent not to be unreasonably withheld or delayed), to increase or waive the Maximum ECN New Issue Amount or the Maximum Exchange Consideration Amount, shall not entitle Holders to revoke Offers to Exchange.

Holders wishing to exercise any such right of revocation should do so in accordance with the procedures of the relevant Clearing System or by written notice to the relevant Registrar, as the case may be. Holders of Existing Securities that are held through an Intermediary are advised to check with such entity when it would require to receive instructions to revoke an Exchange Instruction in order to meet the above deadline. For the avoidance of doubt, any Holder who does not exercise any such right of revocation in the circumstances and in the manner specified above, shall be deemed to have waived such right of revocation and its original Exchange Instruction will remain effective.

13 Irregularities

All questions as to the validity, form and eligibility (including the time of receipt) of any Exchange Instruction, Offer to Exchange Existing Securities or revocation or revision thereof or delivery of Existing Securities will be determined by LBG Capital No.1 in its sole discretion, which determination will be final and binding. LBG Capital No.1 reserves the absolute right to reject any and all Exchange Instructions not in proper form or for which any corresponding agreement by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) to exchange would, in the opinion of LBG Capital No.1, be unlawful. LBG Capital No.1 also reserves the absolute right to waive any of the conditions of the Exchange Offer or defects in Exchange Instructions with regard to any Existing Securities. None of the ECN Issuers, Lloyds Banking Group, the Dealer Managers or the Exchange Agent shall be under any duty to give notice to Holders, Direct Participants or Beneficial Owners of any irregularities in Exchange Instructions; nor shall any of them incur any liability for failure to give notification of any material amendments to the terms and conditions of the Exchange Offer.

14 Participation by the Dealer Managers

Each Dealer Manager may (i) submit Exchange Instructions for its own account and (ii) submit Exchange Instructions (subject to the offer restrictions set out in "Offer Restrictions") on behalf of other Holders.

15 Governing Law

The terms of the Exchange Offer, including without limitation each Exchange Instruction, and any non-contractual obligations arising out of or in connection with the Exchange Offer shall be governed by, and construed in accordance with, English law. By submitting an Exchange Instruction a Holder or Direct Participant irrevocably and unconditionally agrees for the benefit of

the relevant ECN Issuer or Lloyds Banking Group (as the case may be), the Dealer Managers or the Exchange Agent that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Exchange Offer or any of the documents referred to above and that, accordingly, any suit, action or proceedings arising out of or in connection with the foregoing may be brought in such courts.

16 Miscellaneous

Holders who need assistance with respect to the procedure relating to making an Offer to Exchange should contact the Exchange Agent, the contact details for whom appear on the back cover of this Exchange Offer Memorandum.

PART VII

OVERVIEW OF THE ENHANCED CAPITAL NOTES

The following description of the ECN Conditions presents an overview of the principal rights and obligations attaching to the ECNs and does not purport to be complete. For a full description of the ECN Conditions, Holders should refer to the full terms and conditions set out in Part A of Appendix 6 (“Terms and Conditions of the ECNs”), which should be read in conjunction with the relevant Pricing Schedule, as set out in Part B of Appendix 6 (“Pricing Schedules relating to the ECNs”).

Capitalised terms used but not otherwise defined in this overview of the ECNs have the same meanings as set out in Part A of Appendix 6 (“Terms and Conditions of the ECNs”).

Issuer	LBG Capital No.1 or LBG Capital No.2 (as applicable), indirect wholly-owned subsidiaries of Lloyds Banking Group, incorporated and tax resident in the United Kingdom.
Guarantor	<p>The ECNs issued by LBG Capital No.1 will be unconditionally and irrevocably guaranteed by Lloyds Banking Group.</p> <p>The ECNs issued by LBG Capital No.2 will be unconditionally and irrevocably guaranteed by Lloyds TSB Bank.</p>
Final Maturity	<p>The maturity date of each series of ECNs will be specified in the applicable Pricing Schedule.</p> <p><i>The maturity date for each series of ECNs has been determined by reference to the corresponding class or series of Existing Securities in accordance with the following principles:</i></p> <ul style="list-style-type: none"><i>(a) in respect of a series of Existing Securities which does not provide for any optional redemption dates, the corresponding series of ECNs (or the first tranche thereof) will have a maturity of approximately 15 years;</i><i>(b) in respect of a series of Existing Securities which provides for one or more optional redemption dates and the first of such scheduled optional redemption dates falls before the issue date of the corresponding series of ECNs (or the first tranche thereof), such series of ECNs (or such first tranche thereof) shall have a maturity date of approximately 12 years; and</i><i>(c) in respect of a series of Existing Securities which provides for one or more optional redemption dates and the first of such scheduled optional redemption dates falls on or after the issue date of the corresponding series of ECNs (or the first tranche thereof), such series of ECNs (or such first tranche thereof) will mature on such first scheduled optional redemption date, subject to a minimum maturity of approximately 10 years.</i>
Interest Rate	The rate of interest of each series of ECNs will be set at a fixed premium of between 1.5 per cent. and 2.5 per cent. above the interest rate or dividend rate (as the case may be), or in the case of an Existing Security which is a fixed/floating rate security, the fixed interest component thereof, of the corresponding series or class of Existing Securities in exchange for which such ECNs are issued as indicated in the relevant Pricing Schedule.
Interest Payment Dates	<p>The Interest Payment Dates of each series of ECNs will be specified in the relevant Pricing Schedule.</p> <p><i>The interest payment dates for each series of ECNs have been determined by reference to the corresponding class or series of Existing Securities such that, except in certain instances, the</i></p>

interest payment dates on such series of ECNs will be the same as the interest payment dates or dividend payment dates (as the case may be) or, in the case of an Existing Security that is a fixed/floating rate security, the Interest Payment Dates corresponding to the fixed rate component thereof, of the corresponding series or class of Existing Securities in exchange for which such ECNs are issued.

Status of the ECNs

The ECNs and related Coupons constitute direct, unsecured and subordinated obligations of the relevant Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the ECN Securityholders and Couponholders are subordinated as described in Condition 3(b). See Part A of Appendix 6 (“Terms and Conditions of the ECNs – Status and Subordination of the ECNs”).

Subordination of the ECNs

In the event of: (i) an order being made, or an effective resolution being passed, for the winding-up of the relevant Issuer (except a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation of the relevant Issuer or the substitution in place of the relevant Issuer of a successor in business of such Issuer, the terms of which reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved in writing by the ECN Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (y) do not provide that the ECNs shall thereby become redeemable or repayable in accordance with the relevant Conditions); or (ii) an administrator of the relevant Issuer being appointed and such administrator declaring, or giving notice that it intends to declare and distribute, a dividend, the rights and claims of the ECN Securityholders and the Couponholders against such Issuer in respect of or arising under (including any damages awarded for breach of any obligations under) the ECNs, the relevant Coupons and the Trust Deed relating to them will be subordinated in the manner provided in Condition 3(b) of the relevant ECNs and in the Trust Deed to the claims of all Issuer Senior Creditors but shall rank (A) at least *pari passu* with the claims of holders of all other subordinated obligations of the relevant Issuer and (B) in priority to the claims of holders of all undated or perpetual subordinated obligations of the relevant Issuer and to the claims of holders of all classes of share capital of such Issuer.

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

Status of the relevant Guarantee

The relevant Guarantor has irrevocably and unconditionally guaranteed the due and punctual payment of all principal, premium and interest and any other sums from time to time expressed to be payable by the relevant Issuer in respect of the ECNs and the Coupons and under the Trust Deed in respect thereof. The obligations of each Guarantor under the Guarantee constitute direct and unsecured obligations of that Guarantor, subordinated as described in Condition 4(b). See Part A of Appendix 6 (“Terms and Conditions of the ECNs – Guarantee: Status and Subordination of the Guarantee”).

Subordination of the relevant Guarantee

In the event of: (i) an order being made, or an effective resolution being passed, for the winding-up of the relevant Guarantor (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation of such Guarantor or the substitution in place of such Guarantor of a

successor in business of such Guarantor, the terms of which reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved in writing by the ECN Trustee or by an Extraordinary Resolution and (y) do not provide that the relevant ECNs shall thereby become redeemable or repayable in accordance with these Conditions); or (ii) an administrator of such Guarantor being appointed and such administrator declaring, or giving notice that it intends to declare and distribute, a dividend, the rights and claims of the ECN Securityholders and the Couponholders against such Guarantor in respect of or arising under (including any damages awarded for breach of any obligations under) the relevant ECNs, the relevant Coupons and Trust Deed relating to them will be subordinated in the manner provided in Condition 4(b) and in the Trust Deed to the claims of all Guarantor Senior Creditors, as the case may be, but shall rank (a) at least *pari passu* with all claims of all holders of obligations of such Guarantor which constitute, or would but for any applicable limitation on the amount of such capital constitute, Lower Tier 2 Capital of such Guarantor on a solo and/or consolidated basis; and (b) in priority to (01) the claims of holders of all obligations to such Guarantor which constitute, or would but for any applicable limitation on the amount of such capital constitute, Upper Tier 2 Capital or Tier 1 Capital of such Guarantor on a solo and/or consolidated basis, (02) the claims of all other undated or perpetual subordinated obligations of such Guarantor, and (03) the claims of holders of all classes of share capital of such Guarantor.

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

Early Redemption Due to Taxation

If, immediately prior to the giving of the notice referred to below, a Tax Event has occurred and is continuing, then the relevant Issuer may, subject to Condition 8(b) and having given not less than 10 nor more than 21 days’ notice to the Trustee, the Principal Paying and Conversion Agent, the Registrar and ECN Securityholders (which notice shall, subject as provided in Condition 8(f), be irrevocable), redeem in accordance with the relevant Conditions at any time (in the case of a Fixed Rate ECN) or on any Interest Payment Date (in the case of a Floating Rate ECN) all, but not some only, of the relevant series of ECNs at their principal amount, together with any accrued but unpaid interest to (but excluding) the relevant redemption date. See Part A of Appendix 6 (“Terms and Conditions of the ECNs – Redemption and Purchase – Redemption Due to Taxation”).

Early Redemption for Regulatory Purposes

If, immediately prior to the giving of the notice referred to below, a Capital Disqualification Event has occurred and is continuing, then the relevant Issuer may, subject to Condition 8(b) and having given not less than 10 nor more than 21 days’ notice to the

Trustee, the Principal Paying and Conversion Agent, and the ECN Securityholders (which notice shall, subject as provided in Condition 8(f), be irrevocable), redeem in accordance with the relevant Conditions at any time (in the case of a Fixed Rate ECN) or on any Interest Payment Date (in the case of a Floating Rate ECN) all, but not some only, of the relevant series of ECNs at their principal amount (or at such other amount as may be specified in the relevant Pricing Schedule), together with any accrued but unpaid interest to (but excluding) the relevant redemption date. See Part A of Appendix 6 (“Terms and Conditions of the ECNs – Redemption and Purchase – Redemption for Regulatory Purposes”).

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

Mandatory Conversion

If the Conversion Trigger occurs at any time before the occurrence of a Relevant Event, each ECN shall be converted on the Conversion Date into new and/or existing Ordinary Shares credited as fully paid.

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

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

“Consolidated Core Tier 1 Ratio” means the ratio of the Core Tier 1 Capital of Lloyds Banking Group to the risk weighted assets of Lloyds Banking Group, in each case, calculated on a consolidated basis.

Conversion Price

The initial Conversion Price will be as set out in the Conversion Price Announcement, and such Conversion Price will be subject to adjustment from time to time in accordance with the Deed Poll. The number of Ordinary Shares to be delivered on Conversion of the ECNs will be determined by dividing the principal amount of such ECNs (where applicable, translated into pounds sterling at the Prevailing Rate on the second London business day prior to Conversion) by the Conversion Price prevailing on the relevant Conversion Date.

Conversion

In order to obtain delivery of the relevant Ordinary Shares on a Conversion of the ECNs (or, in certain circumstances as provided under “Relevant Event” below, Relevant Shares), an ECN Securityholder must (a) if the ECNs held by it are in definitive form and held outside Euroclear and Clearstream, Luxembourg,

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

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

Relevant Event

Pursuant to the ECN Deed Poll, if a Qualifying Relevant Event occurs, the ECNs shall, where the Conversion Date falls on or after the New Conversion Condition Effective Date, be converted into Relevant Shares of the Approved Entity at a Conversion Price that shall be initially the New Conversion Price and where

the principal amount of the ECNs (if not denominated in pounds sterling) shall be translated into pounds sterling at the Prevailing Rate on the second London business day prior to Conversion.

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

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

“Excepted Person” means any of:

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

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

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

“Qualifying Relevant Event” means a Relevant Event where:

- (i) the Acquiror is an Approved Entity; and
- (ii) the New Conversion Condition is satisfied.

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

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

- (i) where the Acquiror is not an Excepted Person:
 - (a) the acquisition or holding of legal or beneficial ownership of more than 50 per cent. of the issued Ordinary Shares of LBG; or

- (b) the right to appoint and/or remove all or the majority of the members of the Board of Directors of LBG, whether obtained directly or indirectly and whether obtained by ownership of share capital, contract or otherwise; or
- (ii) where the Acquiror is an Excepted Person, the acquisition or holding of legal or beneficial ownership of 75 per cent. or more of the issued Ordinary Shares of LBG.

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

Additional Amounts

All payments in respect of the ECNs will be made without withholding or deduction for, or on account of, taxes of the United Kingdom, unless the withholding or deduction is required by law. In such event, the relevant Issuer or the relevant Guarantor will, subject as provided in Condition 10 of the ECNs, pay such additional amounts as will be necessary to ensure that the net amount received by ECN Securityholders, after the withholding or deduction, will equal the amount which would have been receivable in the absence of the withholding or deduction.

Form

Each Series of ECNs will be issued in bearer or registered form, corresponding to the relevant series or class of Existing Securities, as indicated in the relevant Pricing Schedule.

Each tranche of ECNs issued in bearer form will be represented initially by a Temporary Global Note which will be deposited with a common depositary for Clearstream, Luxembourg and Euroclear on or about the relevant Settlement Date. Each Temporary Global Note will be exchangeable for interests in a Permanent Global Note without interest coupons or talons on or after a date which is expected to be 40 days after the relevant Settlement Date upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations and as described in the relevant Temporary Global Note.

Each tranche of ECNs issued in registered form will be represented by one or more Global Certificates which will be deposited with a common depositary for the Clearing Systems on or about the relevant Settlement Date.

Denomination

The denomination of each series of ECNs will be the same as the (or, in certain circumstances, the lowest) denomination or liquidation preference (as the case may be) of the relevant series or class of Existing Securities, as indicated in the relevant Pricing Schedule.

Ordinary Shares

The Ordinary Shares to be delivered following conversion will be delivered credited as fully paid and will rank *pari passu* in all respects with all fully paid Ordinary Shares in issue on the relevant Conversion Date, save as provided in Part A of Appendix 6 (“Terms and Conditions of the ECNs”).

ECN Trustee

BNY Corporate Trustee Services Limited.

Principal Paying and Conversion Agent

The Bank of New York Mellon.

Governing Law

The Trust Deed, the ECNs, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law, save that where the Guarantor is Lloyds Banking Group the provisions of Condition 4 (and related provisions in the

Trust Deed) relating to the status and subordination of the Guarantee will be governed by, and shall be construed in accordance with, Scots law.

Listing and Trading

Applications will be made for the ECNs to be admitted to the Official List of the UKLA and to trading on the Regulated Market of the London Stock Exchange.

Clearing

The ECNs have each been accepted for clearing by Euroclear and Clearstream, Luxembourg. The ECNs have the Common Code and International Securities Identification Number as set out in the relevant Pricing Schedule.

Expected Ratings

It is expected that the ECNs guaranteed by Lloyds TSB Bank will be assigned ratings of BB by Standard & Poor's, Ba2 by Moody's and BB by Fitch, and that the ECNs guaranteed by Lloyds Banking Group will be assigned ratings of BB- by Standard & Pools, Ba3 by Moody's and BB by Fitch. A rating is not a recommendation to buy, hold or sell securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

PART VIII
INFORMATION ON THE GROUP

Information on the Group is set out in Part IX (“Information on the Group”), including the Appendix to Part IX (“Interim Management Statement of Lloyds Banking Group”) of the Rights Issue Prospectus and is incorporated by reference into this document.

PART IX

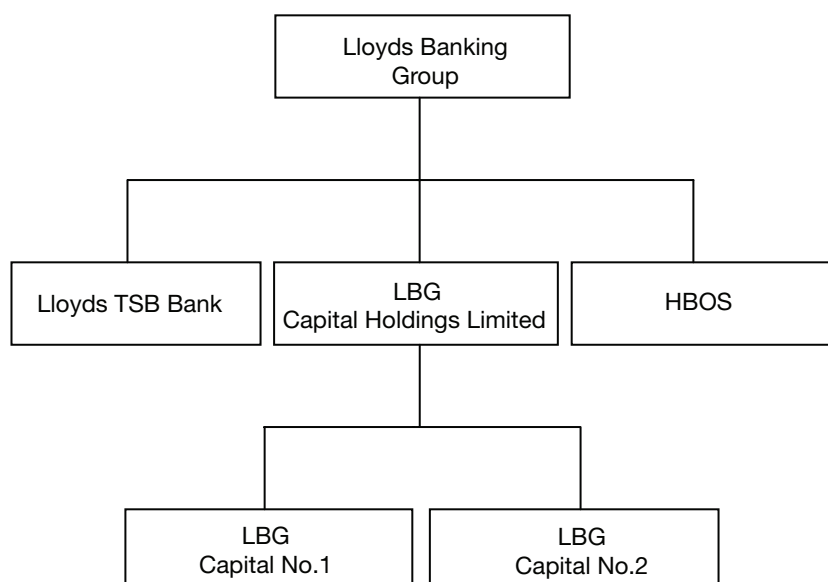
INFORMATION ON THE ECN ISSUERS

Overview

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

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

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



Business of the ECN Issuers

The ECN Issuers' principal purposes are to effect the Exchange Offer and the U.S. Exchange Offer and to issue the ECNs. Since the date of their incorporation, other than entering into contracts in connection with the Exchange Offer, the U.S. Exchange Offer, and the issue of the ECNs, the ECN Issuers have not commenced business. Neither of the ECN Issuers has any subsidiaries.

Share Capital of the ECN Issuers

Each ECN Issuer has in issue 50,000 ordinary shares of £1.00 each. Each ECN Issuer has authorised the issue of the ECNs to be issued by it pursuant to the terms of the Exchange Offer, as further detailed in Part VII ("Overview of the Enhanced Capital Notes") of this Exchange Offer Memorandum.

Management and Employees

The ECN Issuers have no employees.

Directors

The directors of each of the ECN Issuers, the business address of whom is 10 Gresham Street, London EC2V 7AE, and their principal outside activities, where significant to the ECN Issuers, are as follows:

<u>Name</u>	<u>Principal outside activities</u>
Andrei Magasiner Director	Group Corporate Treasurer, Group Corporate Treasury, Lloyds Banking Group plc Director of LBG Capital Holdings Limited
Edward Short Director	Group Funding and Capital Markets Issuance Director, Group Corporate Treasury, Lloyds Banking Group plc Director of LBG Capital Holdings Limited
Richard Shrimpton Director	Head of Capital Issuance and Structuring, Group Corporate Treasury, Lloyds Banking Group plc Director of LBG Capital Holdings Limited

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

Articles of Association

The ECN Issuers' Articles of Association are incorporated by reference into this document and are available for inspection as set out in section 20 of Part XXII ("General Information") of this Exchange Offer Memorandum. Each of the ECN Issuer's Memorandum of Association is, by virtue of Section 28 of the Companies Act 2006, treated as part of its Articles of Association, including those provisions dealing with each ECN Issuer's objects. Accordingly, the ECN Issuers' objects are unrestricted.

Financial Statements and Auditors' Report

The ECN Issuers will prepare and publish audited financial statements on an annual basis, which will be filed in accordance with English law. The ECN Issuers only intend to prepare audited annual financial statements. As at the date of this Exchange Offer Memorandum, neither ECN Issuer has yet prepared any financial statements.

It is anticipated that the ECN Issuers will have an accounting reference date of 31 December with the first fiscal year ending 31 December 2010. The auditors appointed in respect of each ECN Issuer are PricewaterhouseCoopers LLP. PricewaterhouseCoopers LLP is a member firm of the Institute of Chartered Accountants of England and Wales.

The audited annual financial statements will be available free of charge at the offices of the ECN Issuers.

Corporate Governance

Each ECN Issuer complies with the corporate governance regime applicable in England.

PART X

REGULATION AND SUPERVISION IN THE UNITED KINGDOM

Information on Regulation and Supervision in the United Kingdom is set out in Part X (“Regulation and Supervision in the United Kingdom”) of the Rights Issue Prospectus and is incorporated by reference into this document.

PART XI

HISTORICAL FINANCIAL INFORMATION RELATING TO LLOYDS BANKING GROUP

PART A – Audited Financial Information

1 Basis of Financial Information

The financial statements of the Company included in the consolidated audited annual reports and accounts of the Company for the financial years ended 31 December 2008 (and also included in the Annual Report on Form 20-F for the year ended 31 December 2008), 2007 and 2006, together with the independent auditors' reports, are incorporated by reference into this document. The independent auditors' reports for the financial years ended 31 December 2008, 2007 and 2006 were unqualified. The financial statements for the years ended 31 December 2008, 2007 and 2006 were prepared in accordance with IFRS.

2 Cross Reference List

The following list is intended to enable investors to identify easily specific items of information which have been incorporated by reference into this document.

2.1 Financial Statements for the year ended 31 December 2008 and Independent Auditors' Report thereon (included in the Company's Annual Report on Form 20-F)

The page numbers below refer to the relevant pages of the annual report and accounts of the Company for the financial year ended 31 December 2008 included in the Company's Annual Report on Form 20-F:

- Independent Auditors' Report – page F-2;
- Consolidated Income Statement – page F-3;
- Consolidated Balance Sheet – pages F-4 to F-5;
- Consolidated Statement of Changes in Equity – page F-6;
- Consolidated Cash Flow Statement – page F-7; and
- Notes to the Group Accounts – pages F-8 to F-88.

2.2 Financial Statements for the year ended 31 December 2008 and Independent Auditors' Report thereon

The page numbers below refer to the relevant pages of the annual report and accounts of the Company for the financial year ended 31 December 2008:

- Independent Auditors' Report – page 96;
- Consolidated Income Statement – page 97;
- Consolidated Balance Sheet – pages 98 to 99;
- Consolidated Statement of Changes in Equity – page 100;
- Consolidated Cash Flow Statement – page 101; and
- Notes to the Group Accounts – pages 102 to 181.

2.3 Financial Statements for the year ended 31 December 2007 and Independent Auditors' Report thereon

The page numbers below refer to the relevant pages of the annual report and accounts of the Company for the financial year ended 31 December 2007:

- Independent Auditors' Report – page 76;
- Consolidated Income Statement – page 77;
- Consolidated Balance Sheet – pages 78 to 79;
- Consolidated Statement of Changes in Equity – page 80;
- Consolidated Cash Flow Statement – page 81; and
- Notes to the Group Accounts – pages 82 to 147.

2.4 Financial Statements for the year ended 31 December 2006 and Independent Auditors' Reports thereon

The page numbers below refer to the relevant pages of the Annual Report and Accounts of the Company for the financial year ended 31 December 2006:

- Independent Auditors' Report – page 62;
- Consolidated Income Statement – page 63;
- Consolidated Balance Sheet – pages 64 to 65;
- Consolidated Statement of Changes in Equity – page 66;
- Consolidated Cash Flow Statement – page 67; and
- Notes to the Group Accounts – pages 68 to 120.

PART B – Unaudited Interim Statutory Information

1 Basis of Financial Information

The unaudited condensed statutory consolidated interim financial statements of Lloyds Banking Group included in the Interim Results News Release for the six months ended 30 June 2009, together with the independent review report thereon, and the comparative information in the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2008 are incorporated by reference into this document. This financial information was prepared in accordance with the Disclosure and Transparency Rules and with IAS 34. For further information, see Part A ("Presentation of Financial and General Information") of Part III ("Other Important Information") of the Rights Issue Prospectus incorporated by reference into this document.

2 Cross Reference List

The following list is intended to enable investors to identify easily specific items of information which have been incorporated by reference into this document. The page numbers below refer to the relevant pages of the Interim Results News Release.

- Consolidated Income Statement – page 87;
- Statement of Comprehensive Income – page 88;
- Consolidated Balance Sheet – pages 89 and 90;
- Consolidated Statement of Changes in Equity – page 91;
- Consolidated Cash Flow Statement – page 92;
- Notes to the Group Accounts – pages 93 to 115; and
- Independent Review Report – pages 117 and 118.

PART XII HISTORICAL FINANCIAL INFORMATION RELATING TO LLOYDS TSB BANK

PART A – Audited Financial Information

1 Basis of Financial Information

The financial statements of Lloyds TSB Bank included in the consolidated audited Annual Reports and Accounts of Bank for the financial years ended 31 December 2008 and 2007, together with the independent auditors' reports, are incorporated by reference into this document. The independent auditors' reports for the financial years ended 31 December 2008 and 2007 were unqualified. The financial statements for the years ended 31 December 2008 and 2007 were prepared in accordance with IFRS.

2 Cross Reference List

The following list is intended to enable investors to identify easily specific items of information which have been incorporated by reference into this document.

2.1 Financial Statements for the year ended 31 December 2008 and Independent Auditors' Report thereon

The page numbers below refer to the relevant pages of the Annual Report and Accounts of Lloyds TSB Bank for the financial year ended 31 December 2008:

- Independent Auditors' Report – pages 9 to 10;
- Consolidated Income Statement – page 11;
- Consolidated Balance Sheet – pages 12 to 13;
- Consolidated Statement of Changes in Equity – page 14;
- Consolidated Cash Flow Statement – page 16; and
- Notes to the Accounts – pages 17 to 107.

2.2 Financial Statements for the year ended 31 December 2007 and Independent Auditors' Report thereon

The page numbers below refer to the relevant pages of the Annual Report and Accounts of Lloyds for the financial year ended 31 December 2007:

- Independent Auditors' Report – pages 8 to 9;
- Consolidated Income Statement – page 10;
- Consolidated Balance Sheet – pages 11 to 12;
- Consolidated Statement of Changes in Equity – page 13;
- Consolidated Cash Flow Statement – page 15; and
- Notes to the Accounts – pages 16 to 100.

PART B – Unaudited Interim Information

1 Basis of Financial Information

The unaudited condensed consolidated interim financial statements of Lloyds TSB Bank included in the Interim Management Report of Lloyds TSB Bank for the six months ended 30 June 2009 are incorporated by reference into this document. This financial information was prepared in accordance with International Accounting Standards 34, “Interim Financial Reporting” as adopted by the European Union.

2 Cross Reference List

The following list is intended to enable investors to identify easily specific items of information which have been incorporated by reference into this document. The page numbers below refer to the relevant pages of the Interim Management Report.

- Consolidated Income Statement – page 4;
- Consolidated Statement of Comprehensive Income – page 5;
- Consolidated Balance Sheet – pages 6 to 7;
- Consolidated Statement of Changes in Equity – page 8;
- Consolidated Cash Flow Statement – page 9;
- Notes to the Group Accounts – pages 11 to 25; and
- Independent Review Report – pages 27 to 28.

PART XIII

OPERATING AND FINANCIAL REVIEW RELATING TO LLOYDS BANKING GROUP

PART A – Operating and Financial Review Relating to Lloyds Banking Group for the Years Ended 31 December 2008, 2007 and 2006 and Selected Statistical and Other Information

A review of Lloyds Banking Group's financial condition and operating results for the financial years ended 31 December 2008, 2007 and 2006 including selected statistical and other information can be found on pages 14 to 42 of the Company's 2008 Annual Report on Form 20-F and is incorporated by reference herein.

A review of Lloyds Banking Group's risk management practices can be found on pages 43 to 71 of the Company's 2008 Annual Report on Form 20-F and is incorporated by reference herein.

PART B – Operating and Financial Review Relating to Lloyds Banking Group for the Six Months Ended 30 June 2009 and 2008

The Operating and Financial Review relating to Lloyds Banking Group for the six months ended 30 June 2009 and 2008 is set out in Part XII (“Operating and Financial Review relating to Lloyds Banking Group – Part B – Operating and Financial Review Relating to Lloyds Banking Group for the Six Months Ended 30 June 2009 and 2008”) of the Rights Issue Prospectus and is incorporated by reference herein.

PART XIV

HISTORICAL FINANCIAL INFORMATION RELATING TO THE HBOS GROUP

Audited Financial Information

1 Basis of Financial Information

The financial statements of HBOS included in the consolidated audited Annual Report and Accounts of HBOS for the financial years ended 31 December 2008, 2007 and 2006, together with the auditors' reports thereon, are incorporated by reference into this document. The auditors' reports for each of the financial years ended 31 December 2008, 2007 and 2006 were unqualified. The financial statements for the years ended 31 December 2008, 2007 and 2006 were prepared in accordance with IFRS.

2 Cross Reference List

The following list is intended to enable investors to identify easily specific items of information which have been incorporated by reference into this document.

2.1 Financial Statements for the year ended 31 December 2008 and Independent Auditors' Report thereon

The page numbers below refer to the relevant pages of the Annual Report and Accounts of HBOS for the financial year ended 31 December 2008:

- Independent Auditors' Report – page 40;
- Consolidated Income Statement – page 41;
- Consolidated Balance Sheet – pages 42 to 43;
- Consolidated Statement of Recognised Income and Expense – page 44;
- Consolidated Cash Flow Statement – pages 44 to 45; and
- Notes to the Financial Statements – pages 48 to 140.

2.2 Financial Statements for the year ended 31 December 2007 and Independent Auditors' Report thereon

The page numbers below refer to the relevant pages of the Annual Report and Accounts of HBOS for the financial year ended 31 December 2007:

- Independent Auditors' Report – page 152;
- Consolidated Income Statement – page 153;
- Consolidated Balance Sheet – pages 154 to 155;
- Consolidated Statement of Recognised Income and Expense – page 156;
- Consolidated Cash Flow Statement – pages 156 to 157; and
- Notes to the Accounts – pages 160 to 223.

2.3 Financial Statements for the year ended 31 December 2006 and Independent Auditors' Report thereon

The page numbers below refer to the relevant pages of the Annual Report and Accounts of HBOS for the financial year ended 31 December 2006:

- Independent Auditors' Report – page 123;
- Consolidated Income Statement – page 124;
- Consolidated Balance Sheet – pages 125 to 126;
- Consolidated Statement of Recognised Income and Expense – page 127;
- Consolidated Cash Flow Statement – pages 127 to 128; and
- Notes to the Accounts – pages 131 to 191.

PART XV

OPERATING AND FINANCIAL REVIEW RELATING TO THE HBOS GROUP

PART A

Operating and Financial Review

A review of the HBOS Group's financial condition and operating results for the financial years ended 31 December 2008 and 2007 can be found on pages 118 to 161 of the May 2009 Prospectus and is incorporated by reference into this document.

A review of the HBOS Group's financial condition and operating results for the financial years ended 31 December 2007 and 2006 can be found on pages 73 to 116 of the HBOS Rights Issue Prospectus and is incorporated by reference into this document. The results for the years ended 31 December 2007 and 2006 are not directly comparable to the results for the years ended 31 December 2008 and 2007, which are incorporated by reference as stated above, for the reasons stated on pages 119 and 120 of the May 2009 Prospectus under the heading "Overview".

PART B

HBOS Group Selected Statistical and other Information

A review of selected statistical and other information relating to the HBOS Group for the financial years ended 31 December 2008, 2007 and 2006 can be found on pages 162 to 167 of the May 2009 Prospectus and is incorporated by reference into this document.

Following the Acquisition, the HBOS Group has adopted the Group's risk practices. A review of the risk management practices in effect in HBOS during 2008 can be found on pages 168 to 177 of the May 2009 Prospectus and is incorporated by reference into this document.

PART XVI

CAPITAL RESOURCES

PART A

Lloyds Banking Group

1 Capitalisation and Indebtedness

The tables set out in Part XV (“Capital Resources – Part A – Lloyds Banking Group”) on page 143 of the Rights Issue Prospectus, show the unaudited capitalisation of the Group as at 30 June 2009 and the financial indebtedness of the Group as at 31 August 2009, which are incorporated by reference into this document.

2 Cash Flow Analysis

The cash flow analysis of the Group for (i) the years ended 31 December 2008 and 2007 is set out on pages 101 and 177 to 179 of the Annual Report; (ii) the year ended 31 December 2006 is set out on pages 81 and 143 to 145 of the Group’s Annual Report and Accounts for the year ended 31 December 2007; and (iii) the six months ended 30 June 2009 is set out on page 92 of the Interim Statutory Results, such pages being incorporated by reference into this document.

PART B

HBOS Group

Cash Flow Analysis

The cash flow analysis of the HBOS Group for the years ended 31 December 2008, 2007 and 2006 can be found on page 180 of the May 2009 Prospectus and is incorporated by reference into this document.

PART C

Capital Resources and Liquidity

Information regarding the Group's capital resources and liquidity is contained in Part XV ("Capital Resources – Part C – Capital Resources and Liquidity") on pages 146-152 of the Rights Issue Prospectus, such pages being incorporated by reference into this document.

PART XVII

UNAUDITED PRO FORMA NET ASSETS STATEMENT OF THE GROUP AS AT 30 JUNE 2009

Section A: Unaudited pro forma net assets statement of the Group as at 30 June 2009

The unaudited pro forma net assets statement of the Group as at 30 June 2009 and the notes thereto set out in this Part XVII (together, the “pro forma net assets statement”) are based on the unaudited Interim Statutory Results of the Group, prepared in accordance with IAS 34, after applying the adjustments described in the notes set out below. The unaudited pro forma net assets statement has been prepared to show the effects of the Proposals on the assets, liabilities and core tier 1 capital ratio of the Group for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Group’s actual financial position or results. The unaudited pro forma net assets statement has been prepared on the basis set out in the notes below and in accordance with Annex I and Annex II of the PD Regulation.

Note	Adjustments				Pro forma
	Lloyds Banking Group (1)	Rights Issue (2)	Enhanced Capital Notes (3) (£ million)	Other (4)	
Assets					
Cash and balances at central banks	60,384	13,500	7,500	(3,000)	78,384
Items in course of collection from banks	2,046	—	—	—	2,046
Trading and other financial assets designated at fair value through profit or loss	132,634	—	—	—	132,634
Derivative financial instruments	52,187	—	—	—	52,187
Loans and receivables	728,139	—	—	—	728,139
Available-for-sale financial assets	41,914	—	—	—	41,914
Investment Property	4,587	—	—	—	4,587
Investment in joint ventures and associates	686	—	—	—	686
Goodwill	2,016	—	—	—	2,016
Value of in-force business	5,696	—	—	—	5,696
Other intangible assets	4,558	—	—	—	4,558
Tangible fixed assets	9,088	—	—	—	9,088
Current tax recoverable	1,071	—	—	800	1,871
Deferred tax assets	4,103	—	—	—	4,103
Other assets	14,020	—	—	—	14,020
Total assets	1,063,129	13,500	7,500	(2,200)	1,081,929

Note	Lloyds Banking Group (1)	Adjustments			Pro forma
		Rights Issue (2)	Enhanced Capital Notes (3) (£ million)	Other (4)	
Liabilities					
Deposits from banks	112,909	—	—	—	112,909
Customer deposits	429,082	—	—	—	429,082
Items in course of transmission to banks	1,361	—	—	—	1,361
Trading and other financial liabilities designated at fair value through profit or loss	19,121	—	—	—	19,121
Derivative financial instruments	49,686	—	—	—	49,686
Notes in circulation	956	—	—	—	956
Debt securities in issue	240,589	—	—	—	240,589
Liabilities arising from insurance contracts and participating investment contracts	68,928	—	—	—	68,928
Liabilities arising from non participating investment contracts	42,921	—	—	—	42,921
Unallocated surplus within insurance businesses	720	—	—	—	720
Other liabilities	27,918	—	—	—	27,918
Retirement benefit obligations	1,982	—	—	—	1,982
Current tax liabilities	91	—	—	—	91
Deferred tax liabilities	190	—	—	—	190
Other provisions	683	—	—	—	683
Subordinated liabilities	30,966	—	7,500	—	38,466
Total liabilities	1,028,103	—	7,500	—	1,035,603
Net assets	35,026	13,500	—	(2,200)	46,326
Key balance sheet measures					
Risk-weighted assets	482,455	—	—	—	482,455
Core tier 1 capital	30,306	13,500	—	(2,200)	41,606
Core tier 1 capital ratio	6.3%	—	—	—	8.6%

Notes to pro forma net assets statement

The pro forma net assets statement has been prepared on a basis consistent with the accounting policies adopted by the Company in preparing its Interim Statutory Results.

The pro forma net assets statement includes appropriate adjustments to account for the events directly associated with the Exchange Offers and the Rights Issue. Lloyds Banking Group costs which have been or are expected to be directly incurred as part of the Exchange Offers and the Rights Issue have been included.

- (1) This column reflects the consolidated financial information of the Group as at 30 June 2009, which has been extracted without material adjustment from the Interim Statutory Results.
- (2) This adjustment represents the gross proceeds arising from the Rights Issue (£13.5 billion). See note 4 below for details of costs associated with this issue.
- (3) For the purposes of the pro forma net assets statement, in relation to the fully underwritten Exchange Offers, it has been assumed that the Group will issue £7.5 billion of Enhanced Capital Notes for cash. This adjustment represents the issue of these Enhanced Capital Notes. No value has been attributed to the conversion features embedded in the Enhanced Capital Notes as it is not possible to determine their accounting value, which will be based on market conditions on the pricing date. The fair value of the conversion features will be recognised as a derivative asset and an offsetting increase in subordinated liabilities. To the extent the Exchange Offers are taken up by existing holders of Eligible Securities, the cash received as a result of the underwriting will reduce accordingly. See note 4 for details of costs associated with this issue.
- (4) This adjustment represents Lloyds Banking Group costs directly attributable to the Proposals (estimated in total to be £500 million before tax relief of £100 million). These costs include *inter alia*, the HMT Commitment Commission and the other aggregated costs and commissions payable by the Group; in addition adjustment has been made to reflect the GAPS Payment of £2.5 billion, before tax relief of £700 million. All of these costs have been deducted from cash and balances at central banks for the purpose of the pro forma net assets statement.
- (5) No adjustment has been made to reflect the trading results of the Group since 30 June 2009.
- (6) If the Group's published core tier 1 capital ratio falls to less than 5 per cent., the Enhanced Capital Notes to be issued pursuant to the Proposals shall automatically convert into Ordinary Shares. In such circumstances, assuming the full amount of £7.5 billion of Enhanced Capital Notes are issued under the Proposals, the Group's core tier 1 capital would be increased by £7.5 billion, which, based on the Group's actual risk-weighted assets at 30 June 2009, would result in an increase in the Group's core tier 1 capital ratio of approximately 1.6 per cent.

**Section B: Accountants' Report on the Unaudited Pro Forma Net
Assets Statement of the Group as at 30 June 2009**



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EC2V 7HN

Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ

UBS Limited
1 Finsbury Avenue
London
EC2M 2PP

3 November 2009

Dear Sirs

Lloyds Banking Group plc (the “Company”) – Pro forma financial information

We report on the pro forma net assets statement (the “Pro forma financial information”) set out in Section A of Part XVII (“Unaudited Pro Forma Net Assets Statement of the Group as at 30 June 2009”) of the exchange offer memorandum dated 3 November 2009 issued by the Company and its affiliates in connection with the proposed non-U.S. exchange offer resulting in the issue of new securities including new ordinary shares (the “Exchange Offer Memorandum”). The Pro forma financial information has been prepared on the basis described in the notes to the Pro forma financial information, for illustrative purposes only, to provide information about how the Proposals (as defined in the Exchange Offer Memorandum) might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing its unaudited statutory interim financial statements for the period ended 30 June 2009. This report is required by item 20.2 of Annex I to the PD Regulation and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the “Directors”) to prepare the Pro forma financial information in accordance with item 20.2 of Annex I to the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II to the PD Regulation as to the proper compilation of the Pro forma financial information and to report our opinion to you. In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered

by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Exchange Offer Memorandum.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3 R(2)(f), we are responsible for this report as part of the Exchange Offer Memorandum and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Exchange Offer Memorandum in compliance with Item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART XVIII

SECTION A: LOSS FORECAST FOR THE YEAR ENDING 31 DECEMBER 2009

1 Loss forecast

The Group currently expects to report a loss before tax for 2009, excluding the impact of a credit relating to negative goodwill.

2 Basis of preparation

The loss forecast is based on unaudited statutory interim information to 30 June 2009 and a forecast to 31 December 2009. Such management forecasts are based on current operating experience and expected market and economic conditions. The loss forecast was prepared on the basis of the accounting policies adopted in the audited accounts for the year ended 31 December 2008, as amended for changes arising from the adoption of the amendments to IAS 1 (revised) Presentation of financial statements and to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations. The adoption of these revised accounting standards does not have a material impact on the Group.

3 Taxation

The Group will recognise a deferred tax asset, to the extent permitted under IFRS, in respect of any loss recognised in the period.

4 Report relating to the loss forecast

The principal assumptions on which the forecast is based are:

Factors outside the influence or control of the Directors

- There will be no material change in the present management or control of Lloyds Banking Group.
- There will be no material change in legislation or regulatory requirements impacting the Group operations.
- There will be no major change in the accounting standards applicable to Lloyds Banking Group other than those noted above.
- There will not be any material change in interest rates affecting Lloyds Banking Group from those currently prevailing.
- There will not be any changes in general trading and economic conditions in the countries in which the Group operates other than those already included.
- There will be no material change to the competitive environment which impacts on consumer preferences or the capacity of the business to penetrate new markets.

Factors within the influence or control of the Directors

- There will be no acquisitions and disposals by the Group which will have a material impact on the results.

SECTION B: ACCOUNTANTS' REPORT ON THE LOSS FORECAST FOR THE
YEAR ENDING 31 DECEMBER 2009



PricewaterhouseCoopers LLP
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EH2 4NH

The Directors
Lloyds Banking Group plc
25 Gresham Street
London
EC2V 7HN

Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street
London
EC1A 1HQ

UBS Limited
1 Finsbury Avenue
London
EC2M 2PP

3 November 2009

Dear Sirs

Lloyds Banking Group plc (“the Company”)

We report on the loss forecast comprising the statement by Lloyds Banking Group plc and its subsidiaries (together the “Group”) for the year ending 31 December 2009 (the “Loss Forecast”). The Loss Forecast and the material assumptions upon which it is based are set out in Section A of Part XVIII of the exchange offer memorandum dated 3 November 2009 issued by the the Company and its affiliates in connection with the proposed non-U.S. exchange offer resulting in the issue of new securities including new ordinary shares (the “Exchange Offer Memorandum”).

This report is required by item 13.2 of Annex I to the PD Regulation and is given for the purpose of complying with that Regulation and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the “Directors”) to prepare the Loss Forecast in accordance with the requirements of items 13.1 and 13.3 of Annex I to the PD Regulation.

It is our responsibility to form an opinion as required by item 13.2 of Annex I to the PD Regulation as to the proper compilation of the Loss Forecast and to report that opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Exchange Offer Memorandum.

Basis of Preparation of the Loss Forecast

The Loss Forecast has been prepared on the basis stated in Section A of Part XVIII of the Exchange Offer Memorandum and is based on the unaudited statutory interim financial results for the six months ended 30 June 2009 and a forecast to 31 December 2009. The Loss Forecast is required to be presented on a basis consistent with the accounting policies of the Group.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included evaluating the basis on which the historical financial information included in the Loss Forecast has been prepared and considering whether the Loss Forecast has been accurately computed based upon the disclosed assumptions and the accounting policies of the Group. Whilst the assumptions upon which the Loss Forecast are based are solely the responsibility of the Directors, we considered whether anything came to our attention to indicate that any of the assumptions adopted by the Directors which, in our opinion, are necessary for a proper understanding of the Loss Forecast have not been disclosed or if any material assumption made by the Directors appears to us to be unrealistic.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Loss Forecast has been properly compiled on the basis stated.

Since the Loss Forecast and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the Loss Forecast and differences may be material.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

Opinion

In our opinion, the Loss Forecast has been properly compiled on the basis stated and the basis of accounting used is consistent with the accounting policies of the Group.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this report as part of the Exchange Offer Memorandum and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Exchange Offer Memorandum in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART XIX

TAXATION CONSIDERATIONS

In view of the number of different jurisdictions where tax laws may apply to a Holder and save as set out below, this Exchange Offer Memorandum does not discuss the tax consequences for Holders arising from the exchange of their Existing Securities in the Exchange Offer and the receipt of New Securities and any Accrued Interest Payment or Accrued Dividends Payment (as the case may be), nor as holders of the New Securities. Holders are urged to consult their own professional advisers regarding the possible tax consequences under the laws of the jurisdictions that apply to them. Holders are liable for their own taxes and have no recourse to the ECN Issuers, Lloyds Banking Group, the Dealer Managers or the Exchange Agent with respect to taxes arising in connection with the Exchange Offer.

UNITED KINGDOM

The comments below are of a general nature based on current United Kingdom law and HM Revenue & Customs practice and are not intended to be exhaustive. 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 New Securities and may not apply to certain classes of persons such as dealers or certain professional investors. Any holders of New Securities who are in doubt as to their own tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom, should consult their professional advisers.

1 UK Withholding Tax on New Securities

1.1 New Shares

Lloyds Banking Group is not required to withhold at source any amount in respect of United Kingdom tax when paying a dividend on the New Shares.

1.2 ECNs

While the ECNs continue to be listed on a recognised stock exchange within the meaning of Section 1005 Income Tax Act 2007, payments of interest on the ECNs by the ECN Issuers may be made without withholding or deduction for or on account of income tax. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List by the United Kingdom Listing Authority and are admitted to trading on the London Stock Exchange.

In other cases, interest on the ECNs will generally be paid under deduction of income tax at the basic rate (currently 20 per cent.), unless another relief applies.

2 Deeply Discounted Securities

IMPORTANT: NOTICE TO HOLDERS WITHIN THE CHARGE TO INCOME TAX

The ECNs are being issued pursuant to the Exchange Offer. In some cases the consideration received by an ECN Issuer for the issue of ECNs of a particular series may be less than the amount due on their redemption. That could cause such ECNs ("Affected ECNs") to be "deeply discounted securities" within the meaning of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005. Any profit made by a person within the charge to income tax (including any individual or trustee resident for tax purposes in the United Kingdom) on a disposal of an Affected ECN (including transfer, redemption or conversion) could be taxed as income. For Holders who acquire their ECNs pursuant to the Exchange Offer, a taxable profit could arise where the amount or value received by the Holder on a disposal or redemption of an ECN exceeds the price paid to acquire the ECN, that is the market value (taken at the time of the Exchange) of the relevant Existing Security exchanged by that Holder for that ECN. Because of the comparison with the price paid to acquire the ECNs it is therefore possible for a charge to arise even if the proceeds of disposal (including redemption) are equal to or lower than the par value of the ECN issued.

3 Information Sharing

Persons in the United Kingdom (i) paying interest to or receiving interest on behalf of another person who is an individual or (ii) paying amounts due on redemption of the ECNs which constitute Deeply Discounted Securities, or receiving such amounts on behalf of another person who is an individual may be required to provide certain information to HM Revenue & Customs regarding the identity of the payee or person entitled to the interest and, in certain circumstances, such information may be exchanged with tax authorities in other countries.

4 EU Directive on the Taxation of Savings Income

The EU has adopted a Directive regarding the taxation of savings income. The Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual or to certain other persons in another Member State, except that Austria, Belgium and Luxembourg may instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The Belgian Council of Ministers has recently announced that measures will be enacted to allow Belgium to switch to the provision of an information system (rather than a withholding system) from 1 January 2010. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

Investors should note that the European Commission has announced proposals to amend the Directive. If implemented, the proposed amendments would, *inter alia*, extend the scope of the Directive to (i) payments made through certain intermediate structures (whether or not established in a Member State) for the ultimate benefit of an EU resident individual, and (ii) a wider range of income similar to interest.

5 Stamp Duty and Stamp Duty Reserve Tax

5.1 ECNs

According to HMRC practice, no United Kingdom Stamp Duty or Stamp Duty Reserve Tax ("SDRT") is payable on the issue or transfer of an ECN or on its redemption.

5.2 New Shares

There should be no stamp duty or SDRT on issue and delivery of the New Shares save as set out below.

Subject to certain exceptions, any transfer on sale of New Shares will generally be liable to stamp duty at the rate of 0.5 per cent. (rounded up to the nearest multiple of £5) of the consideration paid. If the consideration paid for a transfer of shares is £1,000 or less and the instrument includes an appropriate certificate, the stamp duty payable will be reduced to nil. An unconditional agreement to transfer such shares will generally be liable to SDRT at the rate of 0.5 per cent. of the consideration paid, but such liability will be cancelled if the agreement is completed by a duly stamped transfer within six years of the agreement having become unconditional.

Transfers of shares within the CREST system for paperless share transfers are liable to SDRT (at a rate of 0.5 per cent. of the amount or value of the consideration payable) rather than stamp duty, and SDRT on relevant transactions settled within the system or reported through it for regulatory purposes will be collected by CREST.

Where New Shares are issued or transferred (i) to, or to a nominee or agent for, a person whose business is or includes the provision of clearance services (a "Clearance Service") or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts (a "Depositary Receipts System") stamp duty or SDRT will generally be payable at the higher rate of 1.5 per cent. of the consideration payable or, in certain circumstances, the value of the New Shares (rounded up to the nearest £5 in the case of stamp duty). However, the ECJ has found in *C-569/07 HSBC Holdings Plc, Vidacos Nominees Limited v The Commissioners of Her Majesty's Revenue & Customs* (the "HSBC Case") that the 1.5 per cent. charge is contrary to EU Community law where shares are issued to a Clearance Service, and HMRC has subsequently indicated that it will not levy the charge on shares issued to a Clearance Service within the EU. The reasoning in the HSBC

Case may apply where shares are issued to a Depositary Receipts System, although this is currently untested in the courts. Any liability for stamp duty or SDRT which does arise will strictly be accountable by the Clearance Service or Depositary Receipts System operator or their nominee, as the case may be, but will, in practice, be payable by the participants in the clearance service or depositary receipt scheme. Under current UK tax legislation, an unconditional agreement to transfer shares within a Depositary Receipts System, or within a Clearance Service which has not made an election under section 97A of the Finance Act 1986, will not be subject to SDRT. Following the HSBC Case, HMRC have announced that they will determine whether and how to amend the SDRT rules to ensure movements of shares into and within a Clearance Service bear their fair share of tax, whilst ensuring the rules are compatible with EU Community law. The law in this area may therefore be particularly susceptible to change.

No stamp duty or SDRT will arise on the issue or transfer of New Shares into the CREST system provided (i) the shares are not issued or transferred into the CREST account of, or of a nominee for, a Depositary Receipts System or the CREST account of, or of a nominee for, a Clearance Service which has not made an election under section 97A of the Finance Act 1986, and (ii) in the case of SDRT, the transfer is not for money or money's worth (although see above for the discussion on the impact of the HSBC Case in relation to issues of shares into a Clearance Service or a Depositary Receipts System, HMRC's response and potential legislative change).

5.3 ECN Conversion Shares

There will be no stamp duty or SDRT on the issue and delivery of Ordinary Shares following the occurrence of a Conversion Trigger provided (i) the shares are not issued or transferred into the CREST account of, or of a nominee for, a Depositary Receipts System or the CREST account of, or of a nominee for, a Clearance Service which has not made an election under section 97A of the Finance Act 1986, and (ii) in the case of SDRT, the transfer is not for money or money's worth (subject to the discussion above regarding the impact of the HSBC Case, HMRC's response and potential legislative change).

The stamp duty and SDRT implications of a transfer of Ordinary Shares issued pursuant to a conversion of the ECNs will be as described above in relation to the New Shares.

The statements in this Part XIX ("Taxation Considerations") are intended as a general guide to the current United Kingdom stamp duty and SDRT position. Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for SDRT under the Stamp Duty Reserve Tax Regulations 1986.

PART XX

DIRECTORS, CORPORATE GOVERNANCE AND EMPLOYEES

Information regarding the Directors, corporate governance and employees of the Group is set out in Part XIX (“Directors, Corporate Governance and Employees”) of the Rights Issue Prospectus and is incorporated by reference herein, save for the following items:

- Section 1 (“Persons Responsible”); and
- Section 8 (“Conflicts of Interest”),

in each case, of Part XIX of the Rights Issue Prospectus.

Directors

Set out below is a list of the Directors of the Company and Lloyds TSB Bank. Further information concerning the Directors, including their business experience and principal business activities outside of the Group, is set out in Part XIX (“Directors, Corporate Governance and Employees”) of the Rights Issue Prospectus and is incorporated by reference herein.

Sir Winfried Bischoff	Chairman
Lord Leitch ⁽¹⁾	Deputy Chairman
J Eric Daniels	Group Chief Executive
Archie G Kane	Group Executive Director, Insurance
G Truett Tate	Group Executive Director, Wholesale
Tim J W Tookey	Group Finance Director
Helen A Weir CBE	Group Executive Director, Retail
Dr. Wolfgang C G Berndt	Independent Non-Executive Director
Sir Julian Horn-Smith	Independent Non-Executive Director
Carolyn J McCall OBE ⁽²⁾	Independent Non-Executive Director
T Timothy Ryan, Jr	Independent Non-Executive Director
Martin A Scicluna	Independent Non-Executive Director
Anthony Watson CBE	Independent Non-Executive Director

Notes:

(1) Senior Independent Director.

(2) Carolyn McCall will stand down from the Board at the end of 2009.

The business address of the Directors is 25 Gresham Street, London EC2V 7HN.

In respect of any Director, there are no actual or potential conflicts of interest between any duties they have to the Company or Lloyds TSB Bank and the private interests and/or other duties they may also have. Save as disclosed in section 3 (“Interests of the Directors”) of Part XIX (“Directors, Corporate Governance and Employees”) of the Rights Issue Prospectus (as incorporated by reference herein) which sets out interests of the Directors in the share capital of Lloyds Banking Group, there are no interests, including conflicting ones, that are material to the Exchange Offer.

No Director has, or had during the year ended 31 December 2008, a material interest in any significant contract with Lloyds Banking Group, Lloyds TSB Bank or any of their subsidiaries.

None of the Directors was selected to be a director of Lloyds Banking Group or Lloyds TSB Bank pursuant to any arrangement or understanding with any major shareholder, customer, supplier or other person having a business connection with the Group.

No restrictions have been agreed by any Director on the disposal within a certain period of time of his or her holding in Lloyds Banking Group securities.

There are no family relationships between any of the Directors.

PART XXI

ADDITIONAL INFORMATION

Certain additional information regarding, amongst others, share capital, material contracts, and major shareholders of the Company, is set out in Part XX (“Additional Information”) of the Rights Issue Prospectus and is incorporated by reference herein, save for the following items:

- Section 1 (“The Company”);
- Section 11.1 (“Litigation Proceedings”);
- Section 13 (“Costs of the Rights Issue”);
- Section 15 (“Working Capital”);
- Section 16 (“Significant Change”);
- Section 17 (“Consents”); and
- Section 19 (“Documents Available for Inspection”),

in each case, of Part XX (“Additional Information”) the Rights Issue Prospectus.

PART XXII

GENERAL INFORMATION

- 1** Lloyds Banking Group was incorporated and registered in Scotland on 21 October 1985 with registered number 95000 as a public company limited by shares under the name TSB Group Public Limited Company. On 28 December 1995, it changed its name to Lloyds TSB Group plc. On 16 January 2009, the Company changed its name to its present name. The principal legislation under which the Company operates, and pursuant to which the New Shares will be created, is the Companies Act and regulations made thereunder. Lloyds Banking Group is domiciled in Scotland. Its head office is at 25 Gresham Street, London EC2V 7HN (Tel. +44 (0)20 7626 1500) and its registered office is at Henry Duncan House, 120 George Street, Edinburgh EH2 4LH.
- 2** Lloyds TSB Bank was incorporated on 20 April 1865 with registered number 2065. Lloyds TSB Bank's registered office is 25 Gresham Street, London EC2V 7HN, England. The telephone number of Lloyds TSB Bank is Tel. +44 (0)20 7626 1500. Lloyds TSB Bank is a wholly-owned subsidiary of Lloyds Banking Group.
- 3** The listing of each series of the ECNs on the Official List will be expressed as a percentage of their principal amount (exclusive of accrued interest). It is expected that listing of the ECNs on the Official List and admission of the ECNs to trading on the London Stock Exchange's Regulated Market will be granted on or around the Settlement Date, subject only to the issue of the ECNs. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the day of the transaction.
- 4** The Ordinary Shares are listed on the Official List of the UK Listing Authority and are admitted to trading on the London Stock Exchange's Regulated Market for listed securities. The ISIN of the Ordinary Shares is GB0008706128. The New Shares will be in registered form and may be held in either certificated or uncertificated form.
- 5** The making of the Exchange Offer by LBG Capital No.1 and the issue of each series of the New Securities by LBG Capital No.1, LBG Capital No.2 and Lloyds Banking Group (as applicable) has been duly authorised by resolutions of the Board of Directors of LBG Capital No.1, LBG Capital No.2 and of Lloyds Banking Group passed on 2 November 2009.
- 6** The aggregate estimated costs payable by the Company attributable to the Proposals are approximately £500 million. As there may be no new proceeds received by the Company pursuant to the Exchange Offers, the aggregate expenses of the Proposals will be paid out of the gross proceeds of the Rights Issue. Accordingly, net of expenses, the Company will receive approximately £13 billion in total from the proceeds of the Rights Issue, before payment of the GAPS Payment.
- 7** The ECNs have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records) with a Common Code. The International Securities Identification Number (ISIN) and the Common Code for each series of ECNs are specified in the relevant Pricing Schedule.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.
- 8** Save as disclosed in the section entitled "Litigation Proceedings" on page 224 of the Rights Issue Prospectus, as incorporated by reference into this document, there are no governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which the Company is aware) during the year preceding the date of this document, which may have or have had in the recent past, significant effects on the financial position or profitability of the Company and/or the Group.
- 9** Save as disclosed in the section entitled "Litigation Proceedings" on page 224 of the Rights Issue Prospectus, as incorporated by reference into this document, there are no governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which Lloyds TSB Bank is aware) during the year preceding the date of this document, which may have or have had in the recent past, significant effects on the financial position or profitability of Lloyds TSB Bank and/or Lloyds TSB Bank Group.

- 10 There are no governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which LBG Capital No.1 is aware) during the 12 months preceding the date of this document, which may have or have had in the recent past, significant effects on the financial position or profitability of LBG Capital No.1 and/or the Group.
- 11 There are no governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which LBG Capital No.2 is aware) during the 12 months preceding the date of this document, which may have or have had in the recent past, significant effects on the financial position or profitability of LBG Capital No.2 and/or the Group.
- 12 There has been no significant change in the financial or trading position of the Group since 30 June 2009, the date to which the Group's last published financial information was prepared.
- 13 Save as disclosed in Risk Factor 1.3 in the Rights Issue Prospectus (as incorporated by reference herein) relating to the European State Aid review of the aid given by HM Treasury to the Group, there has been no material adverse change in the prospects of the Group since 31 December 2008.
- 14 There has been no significant change in the financial or trading position of Lloyds TSB Bank Group since 30 June 2009, the date to which Lloyds TSB Bank Group's last published financial information was prepared, and save as disclosed in Risk Factor 1.3 in the Rights Issue Prospectus (as incorporated by reference herein) relating to the European State Aid review of the aid given by HM Treasury to the Group, there has been no material adverse change in the prospects of Lloyds TSB Bank Group since 31 December 2008.
- 15 There has been no change in the financial or trading position and no material adverse change in the prospects of LBG Capital No.1 since its incorporation on 15 October 2009.
- 16 There has been no change in the financial or trading position and no material adverse change in the prospects of LBG Capital No.2 since its incorporation on 15 October 2009.
- 17 The Company is of the opinion that, after taking into account existing available bank and other facilities, the Exchange Offers and the net proceeds of the Rights Issue, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document.
- 18 BofA Merrill Lynch, whose address is Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ, has given and has not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.

UBS, whose address is 1 Finsbury Avenue, London EC2M 2PP, has given and has not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.
- 19 The auditors and reporting accountants of Lloyds Banking Group and Lloyds TSB Bank are PricewaterhouseCoopers LLP, which is a member firm of the Institute of Chartered Accountants of England and Wales, and whose address is Erskine House, 68-73 Queen Street, Edinburgh EH2 4NH. PricewaterhouseCoopers LLP has given and has not withdrawn its written consent to the inclusion of its reports in Section B of Part XVII ("Unaudited Pro Forma Net Assets Statement of the Group as at 30 June 2009") and in Section B of Part XVIII ("Loss Forecast for the Year Ending 31 December 2009") of this document in the form and context in which such reports appear, and has authorised the contents of such reports for the purposes of paragraph 5.5.3R(2)(f) of the Prospectus Rules. A written consent under the Prospectus Rules is different from a consent filed with the SEC under section 7 of the Securities Act, which is applicable only to transactions involving securities registered under the Securities Act. As the New Shares have not been and will not be registered under the Securities Act, PricewaterhouseCoopers LLP has not filed a consent under section 7 of the Securities Act.

20 Documents Available for Inspection

Copies of the following documents:

- (a) the Articles of Association of LBG Capital No.1, LBG Capital No.2, Lloyds TSB Bank and Lloyds Banking Group;

- (b) the annual reports and audited consolidated accounts of the Group for the financial years ended 31 December 2006, 2007 and 2008 (and for this year only, on Form 20-F);
- (c) the annual reports and audited accounts of Lloyds TSB Bank for the financial years ended 31 December 2007 and 2008;
- (d) the annual reports and audited consolidated accounts of the HBOS Group for the years ended 31 December 2006, 2007 and 2008;
- (e) the consent letters referred to in sections 18 and 19 above;
- (f) the Interim Statutory Results/Interim Results News Release;
- (g) the report from PricewaterhouseCoopers LLP set out in Section B of Part XVII (“Unaudited Pro Forma Net Assets Statement of the Group as at 30 June 2009”) of this document;
- (h) the report from PricewaterhouseCoopers LLP set out in Section B of Part XVIII (“Section B: Loss Forecast for the Year Ending 31 December 2009”) of this document;
- (i) drafts subject to completion of the ECN Trust Deed;
- (j) draft subject to completion of the ECN Agency Agreement;
- (k) draft subject to completion of the ECN Deed Poll;
- (l) the proposed Existing Preference Shares Settlement Trust Deeds; and
- (m) the proposed Existing Preference Shares Settlement Conditional Repurchase Agreements,

are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period from the date of publication of this document until admission of the New Shares at:

- (a) the registered office of Lloyds Banking Group, Henry Duncan House, 120 George Street, Edinburgh EH2 4LH; and
- (b) the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ.

PART XXIII

DOCUMENTATION INCORPORATED BY REFERENCE

The Annual Report and Accounts of Lloyds TSB Bank for each of the financial years ended 31 December 2008 and 2007 are available for inspection in accordance with section 20 of Part XXII (“General Information”) of this document and contain information which is relevant to the Exchange Offer. These documents are also available on Lloyds Banking Group’s website at www.lloydsbankinggroup.com/investors.asp.

The Annual Report and Accounts of the Group for each of the financial years ended 31 December 2008, 2007 and 2006 are available for inspection in accordance with section 20 of Part XXII (“General Information”) of this document and contain information which is relevant to the Exchange Offer. These documents are also available on Lloyds Banking Group’s website at www.lloydsbankinggroup.com/investors.asp.

The Annual Report and Accounts of the HBOS Group for each of the financial years ended 31 December 2008, 2007 and 2006 are available for inspection in accordance with section 20 of Part XXII (“General Information”) of this document and contain information which is relevant to the Exchange Offer. These documents are also available on the Group’s website at www.lloydsbankinggroup.com/investors.asp.

The table below sets out the various sections of such documents which are incorporated by reference into this document so as to provide the information required under the Prospectus Rules and to ensure Existing Security Holders and others are aware of all information which is necessary to enable Existing Security Holders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of Lloyds TSB Bank and Lloyds Banking Group.

1 Company Information Incorporated by Reference

<i>Document</i>	<i>Section</i>	<i>Page number in such document</i>
Annual Report and Accounts 2006	Independent Auditors’ Report	62
Annual Report and Accounts 2006	Consolidated Income Statement	63
Annual Report and Accounts 2006	Consolidated Balance Sheet	64-65
Annual Report and Accounts 2006	Consolidated Statement of Changes in Equity	66
Annual Report and Accounts 2006	Consolidated Cash Flow Statement	67
Annual Report and Accounts 2006	Notes to the Group Accounts	68-120 ⁽¹⁾
Annual Report and Accounts 2006	Note 45 (“Related Party Transactions”)	111
Annual Report and Accounts 2007	Independent Auditors’ Report	76
Annual Report and Accounts 2007	Consolidated Income Statement	77
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Annual Report and Accounts 2007	Consolidated Statement of Changes in Equity	80
Annual Report and Accounts 2007	Consolidated Cash Flow Statement	81
Annual Report and Accounts 2007	Notes to the Group Accounts	82-147 ⁽¹⁾
Annual Report and Accounts 2007	Note 45 (“Related Party Transactions”)	131-132
Annual Report and Accounts 2008	Independent Auditors’ Report	96
Annual Report and Accounts 2008	Consolidated Income Statement	97
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Annual Report and Accounts 2008	Consolidated Statement of Changes in Equity	100
Annual Report and Accounts 2008	Consolidated Cash Flow Statement	101
Annual Report and Accounts 2008	Notes to the Group Accounts	102-181
Annual Report and Accounts 2008	Note 47 (“Related Party Transactions”)	161-162
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<i>Document</i>	<i>Section</i>	<i>Page number in such document</i>
Annual Report on Form 20-F, for the year ending 31 December 2008	Financial Soundness	65-71
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Annual Report on Form 20-F, for the year ending 31 December 2008	Consolidated Income Statement	F-3
Annual Report on Form 20-F, for the year ending 31 December 2008	Consolidated Balance Sheet	F-4-F-5
Annual Report on Form 20-F, for the year ending 31 December 2008	Consolidated Statement of Changes in Equity	F-6
Annual Report on Form 20-F, for the year ending 31 December 2008	Consolidated Cash Flow Statement	F-7
Annual Report on Form 20-F, for the year ending 31 December 2008	Notes to the Consolidated Financial Statements	F-8-F-91
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Interim Results News Release	Condensed Interim Financial Statements	87-92
Interim Results News Release	Statutory notes	93-115
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2008 Interim Results	Condensed Interim Financial Statements	30-45
2008 Interim Results	Independent review report	47
2008 Circular	Section 9.1.3 of Part XIII (“Additional Information”)	256-257
2008 Circular	Section 9.1.4 of Part XIII (“Additional Information”)	257-258
2008 Circular	Section 9.2.4 of Part XIII (“Additional Information”)	259-261
2008 Circular	Section 9.2.5 of Part XIII (“Additional Information”)	261-262
2008 Prospectus	Section 2 of Part B of Part VI (“Information on the Acquisition”)	62-68
May 2009 Prospectus	whole document	whole document
Lloyds Banking Group’s Articles of Association	whole document	whole document
Regulatory News Service Announcement dated 7 March 2009	Announcement made by Lloyds Banking Group on 7 March 2009 announcing the participation by the Group in the Government Asset Protection Scheme, a pre-emptive open offer and the redemption of the HMT Preference Shares	whole document
Rights Issue Prospectus	Part II (“Risk Factors – Risks Relating to the Group”)	11-30
	Part II (“Risk Factors – Risks Relating to the Proposals”)	30-31
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	Part IX (“Information on the Group”)	104-111
	Part X (“Regulation and Supervision in the United Kingdom”)	
	Part XII Part B – (“Operating and Financial Review Relating to Lloyds Banking Group for the six months ended 30 June 2009 and 2008”)	112-123
	Part XV (“Capital Resources”) Part A (“Lloyds	143-144

<i>Document</i>	<i>Section</i>	<i>Page number in such document</i>
	Banking Group")	
	Part XV ("Capital Resources") Part C ("Capital Resources and Liquidity")	146-152
	Part XIX ("Directors, Corporate Governance and Employees")	168-183, save as specified on page 131 hereof
	Part XX ("Additional Information")	184-227, save as specified on page 132 hereof
	Part XXII ("Definitions") ⁽²⁾	231-241

Notes:

(1) Including such other information in the relevant annual report and accounts as is cross-referenced therein.

(2) Part XXII ("Definitions") of the Rights Issue Prospectus shall be incorporated by reference herein only, (i) to the extent that the relevant defined terms set out in such section are used within the other sections of the Rights Issue Prospectus listed in this Part XXIII and which are incorporated by reference into this document and (ii) as otherwise expressly referred to herein.

2 Lloyds TSB Bank Information Incorporated by Reference

<i>Document</i>	<i>Section</i>	<i>Page number in such document</i>
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Annual Report and Accounts 2007	Notes to the Accounts	16-100
Annual Report and Accounts 2008	Independent Auditors' Report	9-10
Annual Report and Accounts 2008	Consolidated Income Statement	11
Annual Report and Accounts 2008	Consolidated Balance Sheets	12-13
Annual Report and Accounts 2008	Consolidated Statement of Changes in Equity	14-15
Annual Report and Accounts 2008	Consolidated Cash Flow Statements	16
Annual Report and Accounts 2008	Notes to the Accounts	17-107
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Annual Report and Accounts 2008	Directors' Remuneration Report	69-71
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Interim Management Report	Consolidated Statement of Changes in Equity	8
Interim Management Report	Consolidated Cash Flow Statement	9
Interim Management Report	Notes to the Group Accounts	10-25
Interim Management Report	Independent Review Report	27-28
Lloyds TSB Bank's Articles of Association		whole document

3 HBOS Information Incorporated by Reference

<i>Document</i>	<i>Section</i>	<i>Page number in such document</i>
Annual Report and Accounts 2006	Independent Auditors' Report	123
Annual Report and Accounts 2006	Consolidated Income Statement	124
Annual Report and Accounts 2006	Consolidated Balance Sheet	125-126
Annual Report and Accounts 2006	Consolidated Statement of Recognised Income and Expense	127
Annual Report and Accounts 2006	Consolidated Cash Flow Statement	127-128
Annual Report and Accounts 2006	Notes to the Accounts	131-191 ⁽¹⁾
Annual Report and Accounts 2006	Note 47 ("Related Party Transactions") and 48 ("Transactions with Key Management Personnel")	187-188
Annual Report and Accounts 2007	Independent Auditors' Report	152
Annual Report and Accounts 2007	Consolidated Income Statement	153
Annual Report and Accounts 2007	Consolidated Balance Sheet	154-155
Annual Report and Accounts 2007	Consolidated Statement of Recognised Income and Expenses	156
Annual Report and Accounts 2007	Consolidated Cash Flow Statement	156-157
Annual Report and Accounts 2007	Note 47 ("Related Party Transactions") and 48 ("Transactions with Key Management Personnel")	221-223
Annual Report and Accounts 2007	Notes to the Accounts	160-223 ⁽¹⁾
Annual Report and Accounts 2008	Independent Auditors' Report	40
Annual Report and Accounts 2008	Consolidated Income Statement	41
Annual Report and Accounts 2008	Consolidated Balance Sheet	42-43
Annual Report and Accounts 2008	Consolidated Statement of Recognised Income and Expenses	44
Annual Report and Accounts 2008	Consolidated Cash Flow Statement	44-45
Annual Report and Accounts 2008	Notes to the Financial Statements	48-140
Annual Report and Accounts 2008	Note 51 ("Related Party Transactions") and 52 ("Transactions with Key Management Personnel")	132-134
Annual Report and Accounts 2008	Financial Statements	40-140
HBOS Rights Issue Prospectus	Part XIV ("Operating and Financial Review of HBOS")	73-116
HBOS Rights Issue Prospectus	Part XV ("Selected Statistical and Other Information")	117-121
May 2009 Prospectus	Overview	119-120
May 2009 Prospectus	Operating and Financial Review	118-161
May 2009 Prospectus	Selected Statistical and Other Information	162-167
May 2009 Prospectus	Group Risk Management	168-177
May 2009 Prospectus	Cashflow Analysis	180

4 ECN Issuer Information Incorporated by Reference

<i>Document</i>	<i>Section</i>	<i>Page number in such document</i>
LBG Capital No.1's Articles of Association		whole document
LBG Capital No.2's Articles of Association		whole document

Note:

(1) Including such other information in the relevant annual report and accounts as is cross-referenced therein.

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

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

PART XXIV

DEFINITIONS

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

10p Limited Voting Shares	Has the meaning given to it in paragraph 10 of Part V (“Letter from Sir Winfried Bischoff, Chairman of Lloyds Banking Group plc”).
10p Ordinary Shares	Has the meaning given to it in paragraph 10 of Part V (“Letter from Sir Winfried Bischoff, Chairman of Lloyds Banking Group plc”).
2008 Circular	The document sent, with certain exceptions, to Ordinary Shareholders dated 3 November 2008 in relation to the Acquisition and the placing and open offer by the Company in November 2008.
2008 Interim Results	The condensed statutory consolidated interim financial statements of Lloyds Banking Group for the six months ended 30 June 2008, together with the independent review report thereon.
2008 Prospectus	The prospectus dated 18 November 2008 in relation to the Acquisition and the placing and open offer by the Company in November 2008.
Accrued Dividends	In respect of each class of Existing Preference Shares, the amount of accrued and unpaid dividends, in respect of the Existing Preference Shares of such class which have been accepted for exchange pursuant to the Exchange Offer, from (and including) the immediately preceding dividend payment date or dividend period end date (as the case may be) in respect of such Existing Preference Shares to (but excluding) the relevant Settlement Date, calculated in accordance with the conditions of such Existing Preference Shares.
Accrued Dividends Payment	An amount in cash (rounded to the nearest £0.01, €0.01 or U.S.\$0.01, as applicable, with half a penny or cent being rounded upwards) equal to the Accrued Dividends on the Existing Preference Shares validly Offered for Exchange by a Holder and accepted by Lloyds Banking Group.
Accrued Interest	In respect of each series of Existing Capital Securities or Existing Notes, the amount of accrued and unpaid interest, in respect of the Existing Capital Securities or Existing Notes of the relevant series which have been accepted for exchange pursuant to the Exchange Offer, from (and including) the immediately preceding interest payment date in respect of such Existing Capital Securities or Existing Notes to (but excluding) the relevant Settlement Date, calculated in accordance with the conditions of such Existing Capital Securities or Existing Notes.
Accrued Interest Payment	An amount in cash (rounded to the nearest £0.01, €0.01, \$0.01 or ¥1.00, as applicable, with half a penny or cent or ¥0.5 being rounded upwards) equal to the Accrued Interest on the Existing Capital Securities or Existing Notes validly Offered for Exchange by a Holder and accepted by the ECN Issuers.
Acquisition	The acquisition by Lloyds Banking Group of HBOS which was effected by way of a court approved scheme of arrangement.
Additional ECNs	The ECNs (if any) to be issued by the ECN Issuers on the Late Settlement Date in satisfaction of the relevant Exchange Consideration Amount, in whole or in part, in the limited

circumstances described in Part VI (“The Exchange Offer – Terms of the Exchange Offer – Exchange for Additional ECNs”) of this Exchange Offer Memorandum.

AFM	Autoriteit Financiële Markten, the Dutch Authority for the Financial Markets.
Annual Report	The annual report and accounts of Lloyds Banking Group for the year ended 31 December 2008 published on 30 April 2009.
B Shares	The B shares which were contemplated to be created in the capital of the Company as disclosed in the May 2009 Prospectus and “B Share” means any one of them.
Basel II	The New Capital Adequacy Framework issued in June 2004 by the Basel Committee, as implemented by Directive 2006/48/EC and Directive 2006/49/EC.
Beneficial Owner	A person who is the owner of an interest in a particular principal amount/liquidation preference of the Existing Securities, as shown in the records of Euroclear or Clearstream, Luxembourg or its Direct Participants.
Board	The board of directors of Lloyds Banking Group at the date of this document.
BofA Merrill Lynch	Merrill Lynch International.
BOS	Bank of Scotland plc.
Branch Based Customers	Branch-based retail personal and certain small and medium-sized entity customers.
Business Day	A day other than a Saturday or Sunday or a public holiday on which commercial banks and foreign exchange markets are open for business in London, New York and Tokyo (or in the case of a sum payable on the Settlement Date in euro, a day on which the TARGET2 System is open).
Circular	The document sent, with certain exceptions, to Ordinary Shareholders dated 3 November 2009 in relation to the Proposals.
Clearing System Exchange Instruction	The electronic exchange and blocking instruction in the form specified in the Clearing System Notice for submission by Direct Participants to the Exchange Agent via the relevant Clearing System and in accordance with the requirements of such Clearing System by the relevant deadlines in order for Holders to be able to participate in the Exchange Offer.
Clearing System Notice	The notice to be sent to Direct Participants by each of the Clearing Systems on or about the date of this Exchange Offer Memorandum informing Direct Participants, <i>inter alia</i> , of the procedures to be followed in order to participate in the Exchange Offer.
Clearing Systems	Euroclear and Clearstream, Luxembourg.
Clearstream, Luxembourg	Clearstream Banking, <i>société anonyme</i> .
College of Commissioners	The European Commission’s College of Commissioners.
Companies Act	The Companies Act 2006 (as amended).
Company	Lloyds Banking Group plc.
Conversion Price	The price per Ordinary Share at which the ECNs will convert into Ordinary Shares upon the occurrence of a Conversion Trigger, which will be calculated by the Lead Dealer Managers on 27 November 2009 by multiplying the Unadjusted Conversion Price by the Rights Issue Factor. The Conversion Price is subject

	to adjustment from time to time in accordance with the provisions of the ECN Deed Poll.
Conversion Price Announcement	The announcement to be made by Lloyds Banking Group, on behalf of itself and the ECN Issuers, on 27 November 2009, specifying the Conversion Price.
Credit Guarantee Scheme	HM Treasury's Credit Guarantee Scheme.
CREST	The relevant system (as defined in the CREST Regulations) in respect of which EUI is the operator (as defined in the CREST Regulations).
CREST Exchange Instruction	In the case of the Existing Securities that are held in registered form in CREST, the form of instruction to be completed by each holder of such Existing Securities and delivered to the relevant Registrar by the relevant deadlines in order for such Holders to be able to participate in the Exchange Offer.
CREST Manual	The rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms).
CREST Participant	A person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations).
CREST Regulations	The Uncertificated Securities Regulations 2001 (SI 2001No. 01/378), including any modification thereof or any regulations in substitution therefore made under section 207 of the UK Companies Act 1989, as amended, and for the time being in force.
Dealer Managers	The Lead Dealer Managers, together with Citigroup Global Markets Limited, Goldman Sachs International, HSBC Bank plc and J.P. Morgan Securities Ltd.
Deferred Shares	Has the meaning given to it in paragraph 10 of Part VI ("Letter from Sir Winfried Bischoff, Chairman of Lloyds Banking Group plc") of this Exchange Offer Memorandum.
Definitive Certificates	In relation to any Global Certificate, the definitive registered ECNs for which such Global Certificate may be exchanged.
Definitive Notes	In relation to any Global Note, the definitive bearer ECNs for which such Global Note may be exchanged (if appropriate, having attached to them, if applicable, all coupons in respect of interest that have not already been paid on the Global Note and, if applicable, a talon).
Direct Participant	Each person who is shown in the records of Euroclear or Clearstream, Luxembourg as a holder of an interest in the Existing Notes.
Directors	The directors of Lloyds Banking Group as at the date of this Exchange Offer Memorandum and "Director" means any one of them.
Early Settlement Date	The date on which the ECN Issuers will deliver, or procure the delivery of, to each relevant Holder (i) the relevant ECNs (other than Additional ECNs) in exchange for the relevant Existing Securities Offered for Exchange by such Holder and accepted for exchange pursuant to the Exchange Offer (if any), and (ii) the Accrued Interest Payment or Accrued Dividends Payment (as the case may be), which is expected to be on or around 1 December 2009.

ECA Priority	The order, on a series by series basis, in which the relevant ECN Issuer or Lloyds Banking Group (as the case may be) will accept Offers to Exchange each series or class of Existing Securities for the relevant Exchange Consideration Amount, as more particularly set out in Appendix 1 (“ECA Priority”) of this Exchange Offer Memorandum.
ECN or ECNs	See “Enhanced Capital Notes”.
ECN Agency Agreement	The agency agreement to be entered into between, <i>inter alia</i> , the ECN Issuers, the Guarantors and the ECN Principal Paying and Conversion Agent on or around the Early Settlement Date relating to the ECNs.
ECN Conditions	The terms and conditions of the ECNs, as set out in Part A of Appendix 6 (“Terms and Conditions of the ECNs”) of this Exchange Offer Memorandum, as supplemented by the relevant Pricing Schedule set out in Part B of Appendix 6 to this Exchange Offer Memorandum.
ECN Deed Poll	See “Enhanced Capital Notes”.
ECN Issuer	LBG Capital No.1 or LBG Capital No.2.
ECN Principal Paying and Conversion Agent	The Bank of New York Mellon.
ECN Priority	The order, on a series by series basis, in which the relevant ECN Issuer or Lloyds Banking Group (as the case may be) will accept Offers to Exchange each series or class of Existing Securities into the relevant series of ECNs, as more particularly set out in Appendix 2 (“ECN Priority”) to this Exchange Offer Memorandum.
ECN Registrar	The Bank of New York Mellon (Luxembourg) S.A.
ECN Trust Deed	The trust deed to be entered into between, <i>inter alia</i> , the ECN Issuers, the Guarantors and the ECN Trustee on or around the Early Settlement Date relating to the ECNs.
ECN Trustee	BNY Corporate Trustee Services Limited.
EEA Permitted Jurisdiction	Each of Austria, Cyprus, Denmark, France, Germany, Greece, Republic of Ireland, Luxembourg, Malta, Norway, Portugal, Spain, Sweden, The Netherlands and the United Kingdom.
Eligible Retail Holder	A Holder who (directly or through LBGSA) holds Non-Clearing System Existing Securities and who (i) as at the Expiration Deadline holds less than the Minimum Existing Holding; (ii) is not an Investment Professional; (iii) is located in the United Kingdom; and (iv) is a Holder of a series of Non-Clearing System Existing Securities, some of which series have been accepted by LBG Capital No. 1, LBG Capital No. 2 or Lloyds Banking Group (as the case may be) for exchange pursuant to the Exchange Offer.
Enhanced Capital Notes	The enhanced capital notes to be issued by each of the ECN Issuers in exchange for Existing Securities pursuant to the Exchange Offer. The ECNs will have the benefit of a guarantee from either Lloyds Banking Group or Lloyds TSB Bank and of a deed poll (the “ECN Deed Poll”) to be entered into by Lloyds Banking Group in favour of the Holders thereof and references herein to “ECNs” shall mean, unless the context otherwise requires, such securities, guarantee and deed poll taken together. The ECNs (other than Additional ECNs if any) will be issued on the Early Settlement Date and their terms and conditions are set out in Part A of Appendix 6 (“Terms and Conditions of the ECNs”) to this Exchange Offer Memorandum.
EUI	Euroclear UK & Ireland Limited (previously CRESTCo Limited).

Euroclear	Euroclear Bank S.A./N.V.
European Economic Area or EEA or EEA State	The European Union, Iceland, Norway and Liechtenstein.
Exchange Agent	Lucid Issuer Services Limited.
Exchange Consideration	New Shares, cash and/or Additional ECNs to be delivered to Holders of Existing Notes pursuant to the terms of the Exchange Offer, in satisfaction of the Exchange Consideration Amount. All payments of cash shall be made in the same currency as the relevant series or class of Existing Securities which has been accepted for exchange.
Exchange Consideration Amount	In respect of each series of Existing Securities, the amount per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as the case may be) in principal amount/liquidation preference of Existing Securities, of Exchange Consideration which will be delivered to Holders whose Offers to Exchange are accepted pursuant to the ECA Priority, and equal to the amounts specified in the column headed "Exchange Consideration Amount" in Part III ("Summary Offering Table and Exchange Options Overview") of this Exchange Offer Memorandum.
Exchange Consideration Announcement	The announcement to be made by Lloyds Banking Group, on behalf of itself and the ECN Issuers on 12 February 2010, detailing: (i) the New Shares Price; (ii) each FX Rate; (iii) whether Holders who will receive the relevant Exchange Consideration Amount will receive the relevant Exchange Consideration in the form of New Shares, cash or, in the applicable limited circumstances, Additional ECNs; and (iv) the number of New Shares that will be received by Holders per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as applicable) in principal amount/liquidation preference of the relevant Existing Securities, which Existing Securities have been accepted for Exchange into New Shares.
Exchange Instruction	A Clearing System Exchange Instruction or a Non-Clearing System Exchange Instruction.
Exchange Offer or Non-U.S. Exchange Offer	The invitation by LBG Capital No.1 to Holders to Offer to Exchange Existing Securities for ECNs or the relevant Exchange Consideration.
Exchange Offer Conditions	The condition that the relevant ECN Issuer or Lloyds Banking Group (as the case may be) will not accept any Offer to Exchange from Holders of Existing Securities unless all resolution(s) as may be necessary to approve, effect and implement the Exchange Offer and authorise and permit the creation and allotment of New Shares are passed at the Lloyds Banking Group General Meeting (or any adjournment thereof).
Exchange Offer Memorandum	This Exchange Offer Memorandum dated 3 November 2009.
Exchange Offers	The Non-U.S. Exchange Offer and the U.S. Exchange Offer.
Exchange Option	Exchange Option 1, Exchange Option 2, Exchange Option 3 and Exchange Option 4, each as described in Part VI ("The Exchange Offer – Terms of the Exchange Offer – 1. Exchange Offer").
Exchange Offer Period	From the commencement of the Exchange Offer on 3 November 2009 until the Expiration Deadline unless such period is extended or closed earlier, in relation to any series or class of Existing Securities, as described herein.
Exchange Priority	The ECN Priority and the ECA Priority.
Existing Capital Securities	The outstanding tier 1 capital securities (other than the Existing Preference Shares) which are subject to the Exchange Offer, as

	more particularly set out in Part III (“Summary Offering Table and Exchange Options Overview”) of this Exchange Offer Memorandum.
Existing Notes	The outstanding upper tier 2 notes which are subject to the Exchange Offer, as more particularly set out in Part III (“Summary Offering Table and Exchange Options Overview”) of this Exchange Offer Memorandum.
Existing Preference Shares	The outstanding preference shares issued by Lloyds Banking Group together with the Saphir Existing Securities which are subject to the Exchange Offer, as more particularly set out in Part III (“Summary Offering Table and Exchange Options Overview”) of this Exchange Offer Memorandum.
Existing Preference Shares Settlement BNY Trust Deed	The Trust Deed in relation to the settlement of the Existing Preference Shares held through the Clearing Systems to be entered into between Lloyds Banking Group and BNY Corporate Trustee Services Limited.
Existing Preference Shares Settlement Equiniti Trust Deed	The Trust Deed in relation to the settlement of the Existing Preference Shares held outside the Clearing Systems to be entered into between Lloyds Banking Group and Equiniti Limited.
Existing Preference Shares Settlement Trust Deeds	The Existing Preference Shares Settlement BNY Trust Deed and the Existing Preference Shares Settlement Equiniti Trust Deed.
Existing Preference Shares Settlement BNY Conditional Repurchase Agreement	The Conditional Repurchase Agreement in relation to the settlement of the Existing Preference Shares held through the Clearing Systems to be entered into between Lloyds Banking Group and BNY Corporate Trustee Services Limited.
Existing Preference Shares Settlement Equiniti Conditional Repurchase Agreement	The Conditional Repurchase Agreement in relation to the settlement of the Existing Preference Shares held outside the Clearing Systems to be entered into between Lloyds Banking Group and Equiniti Limited.
Existing Preference Shares Settlement Conditional Repurchase Agreements	The Existing Preference Shares Settlement BNY Conditional Repurchase Agreement and the Existing Preference Shares Settlement Equiniti Conditional Repurchase Agreement.
Existing Securities	The Existing Preference Shares, the Existing Capital Securities and the Existing Notes, as more particularly set out in Part III (“Summary Offering Table and Exchange Options Overview”) of this Exchange Offer Memorandum.
Existing Securities Trustee	Any and each trustee of a series of Existing Securities appointed from time to time.
Expiration Deadline	4.00 p.m., London time, or, with respect to Existing Securities held in CREST or in certificated form, 1.00 p.m., London time on 20 November 2009, or such earlier or later date as notified by the Exchange Agent to the Holders and subject to the right of LBG Capital No.1, with the prior consent of the Dealer Managers (such consent not be unreasonably withheld or delayed), to extend, re-open, terminate, withdraw and/or amend the Exchange Offer pursuant to the provisions set out herein.
Financial Promotion Order	The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.
Financial Services Authority or FSA	The Financial Services Authority of the United Kingdom.
Fitch	Fitch Ratings Ltd.
Fixed Rate of Exchange	In respect of any currencies, the spot rate of exchange for the relevant currencies prevailing at or about noon (London time) on

	17 November 2009 as appearing on or derived from the Relevant Page.
FSA Stress Test	The result of the Group's financial modelling which is based on the economic assumptions published by the FSA in March 2009.
FSMA	The Financial Services and Markets Act 2000.
FX Rate	In respect of any currencies, the spot rate of exchange between the relevant currencies prevailing as at or about 12 noon (London time) on 11 February 2010 as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12 noon (London time) on the immediately preceding day on which such rate can be so determined or, in the case of sterling denominated Existing Securities, the FX Rate shall be 1:1.
GAPS Payment	Has the meaning given to it in paragraph 1 of Part V ("Letter from Sir Winfried Bischoff, Chairman of Lloyds Banking Group plc").
GAPS Withdrawal Deed	The deed of withdrawal to be entered into between the Company and The Lords Commissioners of Her Majesty's Treasury relating to the Company's withdrawal from GAPS and providing for, <i>inter alia</i> , (i) the payment by the Group of the GAPS Payment and the HM Commitment Commission, (ii) the reaffirmation by the Company of the lending commitments given by the Company in connection with the Group's then proposed participation in GAPS on 6 March 2009 and (iii) the implementation by the Company of a restructuring plan, upon such plan's approval by the College of Commissioners of the European Commission.
General Meeting	The general meeting of Lloyds Banking Group to be held at 11.00 a.m. on 26 November 2009 at Hall 12, The Atrium, National Exhibition Centre, Birmingham B40 1NT, or any adjournment thereof, to consider and, if thought fit, to approve and to pass various resolutions in connection with the Proposals, among other things.
Global Certificate	A global certificate which will represent each series of ECNs to be issued in registered form.
Global Note	A Temporary Global Note or a Permanent Global Note, and together, "Global Notes".
Government or UK Government	The Government of the United Kingdom.
Government Asset Protection Scheme or GAPS	The asset protection scheme established by HM Treasury.
Group	Lloyds Banking Group and its subsidiary undertakings from time to time.
HBOS	HBOS plc, a company incorporated under the laws of Scotland (registered under no. 218813).
HBOS Annual Report	The annual report and accounts of HBOS for the year ended 31 December 2008.
HBOS Group	HBOS and its subsidiary undertakings from time to time.
HBOS Rights Issue Prospectus	The prospectus issued by HBOS dated 19 June 2008 in connection with the rights issue announced by HBOS on 29 April 2008.
HM Treasury	The Commissioners of Her Majesty's Treasury.
HMT Commitment Commission	Has the meaning given to it in Part XXII ("Definitions") of the Rights Issue Prospectus (as incorporated by reference herein).

HMT Transactions	Has the meaning given to it in paragraph 4 of Part V (“Letter from Sir Winfried Bischoff, Chairman of Lloyds Banking Group plc”) of this document.
HMT Undertaking to Subscribe	Means the document described as such in paragraph 4 of Part V (“Letter from Sir Winfried Bischoff, Chairman of Lloyds Banking Group plc”) of this document.
Holdco Existing Securities	Those Existing Securities which are issued by Lloyds Banking Group, HBOS, HBOS Capital Funding L.P., HBOS Capital Funding No.1 L.P., HBOS Capital Funding No.2 L.P., HBOS Capital Funding No.3 L.P., HBOS Capital Funding No.4 L.P., HBOS Euro Finance (Jersey) L.P., HBOS Sterling Finance (Jersey) L.P. and Saphir Finance Public Limited Company, but excluding the Lloyds Banking Group £500,000,000 6 per cent. Undated Subordinated Guaranteed Bonds (XS0145407507).
Holder	A holder of Existing Securities.
Interim Management Statement	The Interim Management Statement of the Company dated 3 November 2009 as set out in full at the Appendix to Part IX (“Information on the Group”) of the Rights Issue Prospectus (as incorporated by reference herein).
Interim Results News Release	The news release published by Lloyds Banking Group on 5 August 2009 containing the Interim Statutory Results of Lloyds Banking Group for the six months ended 30 June 2009, together with the independent review report thereon.
Interim Statutory Results	The reviewed condensed statutory consolidated interim financial statements of Lloyds Banking Group for the six months ended 30 June 2009, together with the independent review report thereon, as set out on pages 87 to 115 and 117 to 118, respectively, of the Interim Results News Release.
Intermediary	Any broker, dealer, commercial bank, trust company or other nominee or custodian who holds Existing Securities or an interest in Existing Securities on behalf of another person.
Investment Professional	Any person (i) whose ordinary activities involve that person in buying, selling or subscribing for instruments such as the Non-Clearing System Existing Securities for the purpose of a business carried on by that person; or (ii) who it is reasonable to expect will carry on such activity for the purposes of a business carried on by that person, each as further described in the Financial Promotion Order.
Issue Price	Has the meaning given to it in Part XXII (“Definitions”) of the Rights Issue Prospectus (as incorporated by reference herein).
Issuer	LBG Capital No.1, LBG Capital No.2 or Lloyds Banking Group, as the case may be, each as an issuer of New Securities.
Joint Bookrunners	Has the meaning given to it in Part XXII (“Definitions”) of the Rights Issue Prospectus (as incorporated by reference herein).
Late Settlement Date	The date on which Lloyds Banking Group will deliver, or procure the delivery of, to each relevant Holder (i) either New Shares, cash or, in the applicable limited circumstances, Additional ECNs in exchange for the relevant Existing Securities Offered for Exchange by such Holder and accepted for exchange for the relevant Exchange Consideration pursuant to the Exchange Offer (if any), and (ii) the Accrued Interest Payment or Accrued Dividends Payment (as the case may be), which is expected to be approximately 90 days after the Expiration Deadline and thus expected to fall on or around 18 February 2010, to be announced on the Results Announcement Date.

LBG Capital No.1	LBG Capital No.1 plc, a wholly-owned indirect subsidiary of Lloyds Banking Group plc.
LBG Capital No.2	LBG Capital No.2 plc, a wholly-owned indirect subsidiary of Lloyds Banking Group plc.
Lead Dealer Managers	Merrill Lynch International and UBS Limited.
Lending Commitments Deed	The deed poll entered into by Lloyds Banking Group on 6 March 2009 pursuant to which it undertook to support lending to creditworthy borrowers in the UK in a commercial manner.
Limited Voting Shares	Limited voting shares of 25 pence each in the capital of Lloyds Banking Group or, following the Share Subdivision becoming effective, the 10p Limited Voting Shares, as the context requires.
Lloyds Banking Group	Lloyds Banking Group plc.
Lloyds Banking Group Shareholder Account or LBGSA	The Lloyds Banking Group Shareholder Account, the company shareholder account managed by Halifax Nominees Limited.
Lloyds TSB Bank	Lloyds TSB Bank plc.
Lloyds TSB Bank Group	Lloyds TSB Bank and its subsidiaries from time to time.
Lloyds TSB Scotland	Lloyds TSB Scotland plc.
London Stock Exchange	The London Stock Exchange plc.
Maximum Approved Amount	The maximum amount of New Shares to be issued by Lloyds Banking Group, as further described in Part VI (“The Exchange Offer – Terms of the Exchange Offer – Exchange Offer”).
Maximum ECN New Issue Amount	<p>The maximum aggregate amount of all series of ECNs (excluding any Additional ECNs) to be issued by the ECN Issuers on the Early Settlement Date pursuant to the Exchange Offer, being a principal amount equivalent to £5.5 billion, save that LBG Capital No.1 shall have the ability, with the prior consent of the Dealer Managers (such consent not to be unreasonably withheld or delayed), to increase or waive such amount in its sole discretion.</p> <p>For the purposes of accepting Offers to Exchange non-sterling denominated series or classes of Existing Securities up to the Maximum ECN New Issue Amount, the relevant principal amount/liquidation preference of such Existing Securities shall be converted into pounds sterling at the relevant Fixed Rate of Exchange, as calculated by the Lead Dealer Managers on 17 November 2009.</p>
Maximum Exchange Consideration Amount	<p>The maximum aggregate Exchange Consideration Amount to be issued and/or paid in exchange for Existing Securities accepted pursuant to the ECA Priority (on the assumption that such amount will be issued and/or paid entirely in the form of New Shares and/or cash on the basis described herein), being an amount equivalent to £1.5 billion, save that LBG Capital No.1 shall have the ability, with the prior consent of the Dealer Managers (such consent not to be unreasonably withheld or delayed), to increase or waive such amount in its sole discretion. For the avoidance of doubt, Accrued Interest and Accrued Dividends shall be paid separately as provided in this Exchange Offer Memorandum and shall be in addition to, and not comprise part of, the Maximum Exchange Consideration Amount.</p> <p>For the purposes of accepting Offers to Exchange non-sterling denominated series or classes of Existing Securities up to the Maximum Exchange Consideration Amount, the relevant principal amount/liquidation preference of such Existing Securities shall be converted into pounds sterling at the relevant Fixed Rate of</p>

	Exchange, as calculated by the Lead Dealer Managers on 17 November 2009.
May 2009 Capital Raising	The placing and compensatory open offer of 10,408,535,000 new Ordinary Shares at the issue price of 38.43 pence per new Ordinary Share, as detailed in the May 2009 Prospectus.
May 2009 Prospectus	The prospectus dated 20 May 2009 in relation to, amongst other things, the May 2009 Capital Raising.
Member States	Member states of the European Union and “Member States” means any one of them.
Minimum Existing Holding	The minimum principal amount or liquidation preference of Non-Clearing System Existing Securities which a Holder must hold at the Expiration Deadline in order to participate in the Exchange Offer, being £1,000.
Moody’s	Moody’s Investor Service Limited.
New Issue Amount	The amount, (i) in respect of each series of ECNs, equal to the aggregate principal amount of such series of ECNs (excluding for these purposes any Additional ECNs), and (ii) in respect of the New Shares, equal to the aggregate value of New Shares, in each case, to be issued and delivered by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) in exchange for the relevant series of Existing Securities pursuant to the Exchange Offer. Each New Issue Amount will be determined by LBG Capital No.1 following the expiration of the Exchange Offer Period and is intended to be announced on the Results Announcement Date.
New Securities	The ECNs (including Additional ECNs, if any) and New Shares issued in exchange for Existing Securities.
New Shares	New Ordinary Shares to be allotted and issued pursuant to the Rights Issue or issued in exchange for Existing Securities pursuant to the Exchange Offer, and “New Share” means any of them.
New Shares Price	The greater of (i) the arithmetic average of the daily per share Volume-Weighted Average Price of Ordinary Shares on the London Stock Exchange (calculated in sterling) for each of the five consecutive trading days commencing on (and including) 5 February 2010 and ending on and including 11 February 2010, and (ii) 90 per cent. of the closing price of an Ordinary Share on the London Stock Exchange on 11 February 2010, each as calculated by the Lead Dealer Managers on 11 February 2010.
Non-Clearing System Exchange Instruction	A CREST Exchange Instruction (including where the context so permits or requires, the corresponding TTE Instruction) or a Non-CREST Exchange Instruction.
Non-Clearing System Existing Securities	Those Existing Securities which are held (i) in CREST, (ii) in certificated form or (iii) through LBGSA.
Non-CREST Exchange Instruction	In the case of the Existing Securities that are held in registered certificated form outside of CREST, the form of instruction to be completed by each holder of such Existing Securities and delivered to the relevant Registrar by the relevant deadlines in order for such Holders to be able to participate in the Exchange Offer.
Notifying News Service	A recognised financial news service or services as selected by Lloyds Banking Group (e.g. Reuters/Bloomberg).
Offer to Exchange	In the case of Existing Securities other than the Existing Preference Shares, an offer validly made to the relevant ECN Issuer or Lloyds Banking Group by a Holder of Existing Securities

to exchange such Existing Securities for (i) ECNs or (ii) the relevant Exchange Consideration Amount.

In the case of the Existing Preference Shares, an offer validly made to Lloyds Banking Group by a Holder of Existing Preference Shares to tender such Existing Preference Shares for cash (in an amount equal to the value of the Existing Preference Shares (disregarding accrued dividends) on the relevant Settlement Date or the relevant Exchange Consideration Amount (as the case may be)), which cash amount will be (i) immediately applied by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) in paying up the ECNs, or (ii) where applicable, applied in paying up the relevant Exchange Consideration Amount in cash, in accordance with and pursuant to the terms of the Exchange Offer.

The terms “Offers to Exchange”, “Offered for Exchange” and “Offering to Exchange” shall be construed accordingly.

Official List	The official list of the FSA pursuant to Part VI of the FSMA.
Opco Existing Securities	Those Existing Securities which are issued by Lloyds TSB Bank, BOS, Bank of Scotland Capital Funding L.P., Lloyds TSB Capital 1 L.P. and Lloyds TSB Capital 2 L.P., together with the Lloyds Banking Group £500,000,000 6 per cent. Undated Subordinated Guaranteed Bonds (XS0145407507).
Ordinary Shares	Ordinary shares in the capital of the Company or, following the Share Subdivision becoming effective, the 10p Ordinary Shares, as the context requires and “Ordinary Share” means any one of them.
Ordinary Shareholders	Holders of Ordinary Shares, and “Ordinary Shareholder” means any one of them.
Permanent Global Note	A permanent global note which will represent a series of ECNs after exchange of the relevant Temporary Global Note.
Permitted Jurisdiction	Each of the EEA Permitted Jurisdictions together with Guernsey, Jersey, South Africa and Switzerland.
Pricing Schedule	The relevant pricing schedule relating to a series of ECNs as set out in Part B of Appendix 6 to this Exchange Offer Memorandum, which should be read in conjunction with the ECN Conditions.
Proposals	The Exchange Offers and the Rights Issue taken together, which are fully underwritten.
Proposals Resolutions	Has the meaning given to it in Part XXII (“Definitions”) of the Rights Issue Prospectus and is incorporated by reference herein.
Prospectus Directive	Directive 2003/71/EC of the European Parliament and Council.
Qualifying Shareholders	Has the meaning given to it in Part XXII (“Definitions”) of the Rights Issue Prospectus and is incorporated by reference herein.
Registrar	Equiniti Limited or Capita Registrars Limited, as specified in the terms and conditions of the relevant series of Existing Securities and in the Summary Offering Table set out in Part III (“Summary Offering Table and Exchange Options Overview”) of this Exchange Offer Memorandum.
Relevant Page	The relevant page on Bloomberg or such other information service provider that displays the relevant information.
Resolutions	The resolutions set out in the notice convening the General Meeting at the end of the Circular.
Restricted Jurisdiction	Any jurisdiction other than a Permitted Jurisdiction.

Results Announcement	The announcement, to be made by Lloyds Banking Group acting on behalf of itself and the ECN Issuers, on the Results Announcement Date, detailing: (i) whether valid Offers to Exchange pursuant to the Exchange Offer are accepted; (ii) the aggregate principal amount/liquidation preference of each series or class of Existing Securities that each ECN Issuer or Lloyds Banking Group (as the case may be) will be accepting for exchange; (iii) where Holders have Offered to Exchange Existing Securities pursuant to Exchange Options 3 or 4, whether the relevant Holders will receive ECNs or the relevant Exchange Consideration Amount (or both); (iv) whether Offers to Exchange for each series or class of Existing Securities are to be accepted in full (if at all) or on a <i>pro rata</i> basis and, where accepted on a <i>pro rata</i> basis, the extent to which such Offers to Exchange will be scaled; (v) each New Issue Amount; (vi) the Early Settlement Date; and (vii) the Late Settlement Date.
Results Announcement Date	23 November 2009.
Retail Holdings Offer	Has the meaning given to such term in Part VI (“The Exchange Offer – Part B – Proposed Invitation to Eligible Retail Holders”) of this Exchange Offer Memorandum.
Rights Issue	The proposed issue by way of rights of new Ordinary Shares to ordinary shareholders of the Company, on the basis described in the Rights Issue Prospectus.
Rights Issue Factor	The adjustment factor related to the Rights Issue to be applied to the Unadjusted Conversion Price in order to determine the Conversion Price, as further described in Part VI (“The Exchange Offer – Terms of the Exchange Offer – Pricing of the New Securities”) of this Exchange Offer Memorandum.
Rights Issue Prospectus	The prospectus dated 3 November 2009 relating to the Rights Issue published by Lloyds Banking Group.
Rights Issue Underwriting Agreement	Has the meaning given to it in Part XXII (“Definitions”) of the Rights Issue Prospectus and is incorporated by reference herein.
RNS	Regulatory News Service provided by London Stock Exchange plc (being a Regulated Information Service on the list of Regulatory Information Services maintained by the Financial Services Authority).
Saphir Existing Securities	£600,000,000 Perpetual Non-Cumulative Securities issued by Saphir Finance on 25 August 2006 as series 2006-9, with ISIN XS0265483064.
Saphir Finance	Saphir Finance Public Limited Company.
Saphir Trust Deed	The principal trust deed dated 10 October 2002, as amended and restated on 21 July 2006, between Dante Finance Public Limited Company and BNY Corporate Trustee Services Limited. Saphir Finance acceded to the Saphir Trust Deed pursuant to a deed of accession dated 21 July 2006.
SEC	United States Securities and Exchange Commission.
Securities Act	The United States Securities Act of 1933, as amended.
Settlement Date	The Early Settlement Date or the Late Settlement Date, as the case may be.
Shareholders Register	The register of ordinary shareholders in the Company.
Share Subdivision	The share subdivision pursuant to which each existing Ordinary Share of 25 pence in issue at the close of business on the date of the General Meeting will be subdivided and converted into one ordinary share of 10 pence in the capital of the Company and one

deferred share of 15 pence in the capital of the Company, and each existing Limited Voting Share of 25 pence in issue at the close of business on the date of the General Meeting will be subdivided and converted into one limited voting share of 10 pence and one deferred share of 15 pence in the capital of the Company.

Standard & Poor's or S&P	Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc.
Theoretical Ex-Rights Price or TERP	Has the meaning given to it in Part XXII ("Definitions") of the Rights Issue Prospectus (as incorporated by reference herein).
Temporary Global Note	A temporary global note which will represent a series of ECNs on issue.
TTE Instruction	The "transfer to escrow" instruction pursuant to which CREST participants may Offer to Exchange Existing Securities pursuant to the terms of the Exchange Offer.
UBS	UBS Limited.
UCP Announcement	The announcement to be made by Lloyds Banking Group, on behalf of itself and the ECN Issuers, on 18 November 2009, detailing the Unadjusted Conversion Price and each Fixed Rate of Exchange.
UK Listing Authority	The UK Financial Services Authority in its capacity as competent authority under the FSMA.
Unadjusted Conversion Price	The greater of (i) the arithmetic average of the daily per share Volume-Weighted Average Price of Ordinary Shares on the London Stock Exchange (calculated in sterling) for each of the five consecutive trading days commencing on (and including) 11 November 2009 and ending on and including 17 November 2009 and (ii) 90 per cent. of the closing price of an Ordinary Share on the London Stock Exchange on 17 November 2009.
Underwriters	BofA Merrill Lynch, UBS, Citigroup Global Markets Limited, Goldman Sachs International, HSBC Bank plc and J.P. Morgan Securities Ltd.
Underwriting Agreements	Has the meaning given to it in Part XXII ("Definitions") of the Rights Issue Prospectus (as incorporated by reference herein).
United Kingdom	United Kingdom of Great Britain and Northern Ireland.
United States or U.S.	United States of America.
U.S. Exchange Offer	The exchange offer made by LBG Capital No.1 to the holders of six series of outstanding securities, comprising upper tier 2 and innovative tier 1 securities, which is being made in certain countries outside the United States and to certain sophisticated holders in the United States who are "qualified institutional buyers" as defined in Rule 144A of the Securities Act, pursuant to an exchange offer memorandum of even date herewith.
Volume-Weighted Average Price or VWAP	The per share volume-weighted average price of Ordinary Shares on the London Stock Exchange (calculated in sterling) on a specified trading day as displayed under the heading "Bloomberg VWAP" on Bloomberg Page "LLOY <equity> AQR" (or its equivalent successor page if such page is not available) for the period from the scheduled open of trading on the London Stock Exchange on the relevant trading day until the scheduled close of trading on the London Stock Exchange on the relevant trading day (or if such Volume Weighted Average Price is unavailable, the market price of one share of Ordinary Shares on the relevant trading day determined, using a volume-weighted average

method, by a financial institution or person (acting as an expert) appointed by LBG Capital No.1 for this purpose).

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

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

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

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

APPENDIX 1

ECA PRIORITY

Upon the expiration of the Exchange Offer Period, in accordance with the operation of the Exchange Priorities as described in Appendix 3, the relevant ECN Issuer or Lloyds Banking Group (as the case may be), will, if it accepts Offers to Exchange the Existing Securities into the relevant Exchange Consideration Amount, accept such Offers to Exchange in the following order of priority:

<i>Exchange Priority Level</i>	<i>ISIN</i>	<i>Title of Existing Securities</i>
1	XS0156372343	Lloyds TSB Bank plc U.S.\$1,000,000,000 6.90% Perpetual Capital Securities
2	XS0107222258	Lloyds TSB Capital 1 L.P. €430,000,000 7.375% Step-up Non-Voting Non-Cumulative Preferred Securities
3	XS0156923913	Lloyds TSB Bank plc €500,000,000 6.35% Step-up Perpetual Capital Securities
4	XS0406095637	Lloyds Banking Group plc €500,000,000 7.875% Non-Cumulative Preference Shares
5	XS0406095041	Lloyds Banking Group plc U.S.\$1,250,000,000 7.875% Non-Cumulative Preference Shares
6	XS0107228024	Lloyds TSB Bank Capital 2 L.P. £250,000,000 7.834% Sterling Step-up Non-voting Non-cumulative Preferred Securities
7	XS0408828803 GB00B3KSB675	Lloyds Banking Group plc £745,431,000 6.0884% Non-Cumulative Fixed to Floating Rate Preference Shares
8	XS0265483064	Saphir Finance Public Limited Company £600,000,000 6.369% Perpetual Non-Cumulative Securities
9	XS0218638236	Lloyds TSB Bank plc €750,000,000 4.385% Step-up Perpetual Capital Securities
10	XS0408620135	Lloyds TSB Bank plc £784,611,000 13.00% Step-up Perpetual Capital Securities callable 2019
11	XS0408623311	Lloyds TSB Bank plc €532,111,000 13.00% Euro Step-up Perpetual Capital Securities callable 2019
12	XS0408826427	Lloyds Banking Group plc £334,951,000 6.3673% Non-Cumulative Fixed to Floating Rate Preference Shares
13	GB00B3KSB568	Lloyds Banking Group plc £186,190,532 6.475% Non-Cumulative Preference Shares
14	XS0408620721	Lloyds TSB Bank plc £700,022,000 13.00% Sterling Step-up Perpetual Capital Securities callable 2029
15	GB00B3KSB238	Lloyds Banking Group plc £99,999,942 9.75% Non-Cumulative Irredeemable Preference Shares
16	GB00B3KS9W93	Lloyds Banking Group plc £299,987,729 9.25% Non-Cumulative Irredeemable Preference Shares

<i>Exchange Priority Level</i>	<i>ISIN</i>	<i>Title of Existing Securities</i>
17	XS0125681345	Bank of Scotland plc £150,000,000 7.286% Series A Perpetual Regulatory tier One Securities
18	XS0255242769	HBOS Capital Funding No.3 L.P. €750,000,000 4.939% Fixed-to-Floating Rate Non-voting Non-cumulative Perpetual Preferred Securities
19	XS0353590366	HBOS Capital Funding No.4 L.P. £750,000,000 9.54% Fixed-to-Floating Rate Non-Voting Non-cumulative Perpetual Preferred Securities
20	XS0125686229	Bank of Scotland plc £150,000,000 7.281% Series B Perpetual Regulatory tier One Securities
21	XS0046690961	Bank of Scotland plc £200,000,000 8.625% Perpetual Subordinated Notes
22	XS0188201619	HBOS plc €500,000,000 Floating Rate Undated Subordinated Instruments
23	XS0188201536	HBOS plc €750,000,000 4.875% Undated Subordinated Fixed to Floating Rate Instruments
24	XS0059171230	Bank of Scotland plc £100,000,000 10.25% Subordinated Undated Instruments
25	XS0177955381	HBOS plc €750,000,000 5.125% Undated Subordinated Fixed to Floating Rate Notes
26	XS0063730203	Bank of Scotland plc ¥17,000,000,000 4.25% Subordinated Undated Instruments
27	XS0205326290	HBOS plc £500,000,000 5.625% Cumulative Callable Fixed to Floating Rate Undated Subordinated Notes
28	GB0000395094	Bank of Scotland plc £100,000,000 12.00% Perpetual Subordinated Bonds
29	XS0083932144	Bank of Scotland plc £150,000,000 7.375% Subordinated Undated Instruments
30	GB0000395102	Bank of Scotland plc £100,000,000 8.750% Perpetual Subordinated Bonds
31	GB0005242879	Bank of Scotland plc £50,000,000 9.375% Perpetual Subordinated Bonds
32	GB0000394915	Bank of Scotland plc £75,000,000 13.625% Perpetual Subordinated Bonds
33	XS0099508698	Lloyds TSB Bank plc £410,000,000 6.625% Undated Subordinated Step-up Notes callable 2010
34	XS0056390007	Lloyds TSB Bank plc ¥20,000,000,000 Undated Subordinated 5.57% Step-up Coupon Notes
35	XS0169667119	Lloyds TSB Bank plc £500,000,000 5.125% Upper Tier 2 Callable Perpetual Subordinated Notes
36	XS0099507534	Lloyds TSB Bank plc £270,000,000 6.50% Undated Subordinated Step-up Notes callable 2019
37	XS0079927850	Lloyds TSB Bank plc £200,000,000 8.00% Undated Subordinated Step-up Notes
38	XS0099507963	Lloyds TSB Bank plc £450,000,000 6.50% Undated Subordinated Step-up Notes callable 2029

<i>Exchange Priority Level</i>	<i>ISIN</i>	<i>Title of Existing Securities</i>
39	XS0145407507	Lloyds Banking Group plc £500,000,000 6.00% Undated Subordinated Guaranteed Bonds callable 2032
40	XS0109138536 (Reg S) XS0109138882 (144a)	Bank of Scotland Capital Funding L.P. £250,000,000 8.117% Non-cumulative Perpetual Preferred Securities, Class A
41	GB0058322420	HBOS Euro Finance (Jersey) L.P. €415,000,000 7.627% Fixed to Floating Rate Guaranteed Non- Voting Non-Cumulative Preferred Securities
42	XS0139175821	HBOS Capital Funding L.P. £600,000,000 6.461% Guaranteed Non-Voting Non-cumulative Perpetual Preferred Securities Series A
43	XS0109139344 (Reg S) XS0109139427 (144a)	Bank of Scotland Capital Funding L.P. £150,000,000 7.754% Non-cumulative Perpetual Preferred Securities, Class B
44	GB0058327924	HBOS Sterling Finance (Jersey) L.P. €245,000,000 7.881% Guaranteed Non-voting Non-cumulative Preferred Securities
45	XS0165483164	HBOS Capital Funding No.1 L.P. U.S.\$1,000,000,000 6.85% Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities
46	XS0111627112	HBOS plc €300,000,000 Floating Rate Undated Subordinated Step-up Notes
47	XS0125599687	HBOS plc ¥42,500,000,000 3.50% Undated Subordinated Step-up Notes
48	XS0138988042	HBOS plc €500,000,000 6.05% Fixed to Floating Rate Undated Subordinated Notes
49	XS0111599311	HBOS plc £300,000,000 7.50% Undated Subordinated Step-up Notes
50	XS0166717388	HBOS plc £600,000,000 5.75% Undated Subordinated Step-up Notes
51	XS0158313758	HBOS plc £500,000,000 5.75% Undated Subordinated Step-up Notes
52	GB0001905362	Lloyds TSB Bank plc £100,000,000 11.75% Perpetual Subordinated Bonds

APPENDIX 2

ECN PRIORITY

Upon the expiration of the Exchange Offer Period, in accordance with the operation of the Exchange Priorities as described in Appendix 3, the relevant ECN Issuer or Lloyds Banking Group (as the case may be), will, if it accepts Offers to Exchange the Existing Securities into ECNs, accept such Offers to Exchange in the following order of priority:

<i>Exchange Priority Level</i>	<i>ISIN</i>	<i>Title of Existing Securities</i>
1	XS0099508698	Lloyds TSB Bank plc £410,000,000 6.625% Undated Subordinated Step-up Notes Callable 2010
2	XS0056390007	Lloyds TSB Bank plc ¥20,000,000,000 Undated Subordinated 5.57% Step-up Coupon Notes
3	XS0169667119	Lloyds TSB Bank plc £500,000,000 5.125% Upper Tier 2 Callable Perpetual Subordinated Notes
4	XS0099507534	Lloyds TSB Bank plc £270,000,000 6.50% Undated Subordinated Step-up Notes callable 2019
5	XS0079927850	Lloyds TSB Bank plc £200,000,000 8.00% Undated Subordinated Step-up Notes
6	XS0099507963	Lloyds TSB Bank plc £450,000,000 6.50% Undated Subordinated Step-up Notes callable 2029
7	XS0145407507	Lloyds Banking Group plc £500,000,000 6.00% Undated Subordinated Guaranteed Bonds callable 2032
8	XS0046690961	Bank of Scotland plc £200,000,000 8.625% Perpetual Subordinated Notes
9	XS0188201536	HBOS plc €750,000,000 4.875% Undated Subordinated Fixed to Floating Rate Instruments
10	XS0188201619	HBOS plc €500,000,000 Floating Rate Undated Subordinated Instruments
11	XS0059171230	Bank of Scotland plc £100,000,000 10.25% Subordinated Undated Instruments
12	XS0177955381	HBOS plc €750,000,000 5.125% Undated Subordinated Fixed to Floating Rate Notes
13	XS0063730203	Bank of Scotland plc ¥17,000,000,000 4.25% Subordinated Undated Instruments
14	XS0205326290	HBOS plc £500,000,000 5.625% Cumulative Callable Fixed to Floating Rate Undated Subordinated Notes
15	GB0000395094	Bank of Scotland plc £100,000,000 12.00% Perpetual Subordinated Bonds
16	XS0083932144	Bank of Scotland plc £150,000,000 7.375% Subordinated Undated Instruments
17	GB0000395102	Bank of Scotland plc £100,000,000 8.750% Perpetual Subordinated Bonds

<i>Exchange Priority Level</i>	<i>ISIN</i>	<i>Title of Existing Securities</i>
18	GB0005242879	Bank of Scotland plc £50,000,000 9.375% Perpetual Subordinated Bonds
19	GB0000394915	Bank of Scotland plc £75,000,000 13.625% Perpetual Subordinated Bonds
20	XS0255242769	HBOS Capital Funding No.3 L.P. €750,000,000 4.939% Fixed-to-Floating Rate Non-voting Non-cumulative Perpetual Preferred Securities
21	XS0353590366	HBOS Capital Funding No.4 L.P. £750,000,000 9.54% Fixed-to-Floating Rate Non-Voting Non-cumulative Perpetual Preferred Securities
22	XS0107222258	Lloyds TSB Capital 1 L.P. €430,000,000 7.375% Step-up Non-Voting Non-Cumulative Preferred Securities
23	XS0107228024	Lloyds TSB Bank Capital 2 L.P. £250,000,000 7.834% Sterling Step-up Non-voting Non-cumulative Preferred Securities
24	XS0408828803 GB00B3KSB675	Lloyds Banking Group plc £745,431,000 6.0884% Non-Cumulative Fixed to Floating Rate Preference Shares
25	XS0265483064	Saphir Finance Public Limited Company £600,000,000 6.369% Perpetual Non-Cumulative Securities
26	XS0218638236	Lloyds TSB Bank plc €750,000,000 4.385% Step-up Perpetual Capital Securities
27	XS0408620135	Lloyds TSB Bank plc £784,611,000 13.00% Step-up Perpetual Capital Securities callable 2019
28	XS0408623311	Lloyds TSB Bank plc €532,111,000 13.00% Euro Step-up Perpetual Capital Securities callable 2019
29	XS0408826427	Lloyds Banking Group plc £334,951,000 6.3673% Non-Cumulative Fixed to Floating Rate Preference Shares
30	GB00B3KSB568	Lloyds Banking Group plc £186,190,532 6.475% Non-Cumulative Preference Shares
31	XS0408620721	Lloyds TSB Bank plc £700,022,000 13.00% Sterling Step-up Perpetual Capital Securities callable 2029
32	XS0406095637	Lloyds Banking Group plc €500,000,000 7.875% Non-Cumulative Preference Shares
33	XS0406095041	Lloyds Banking Group plc U.S.\$1,250,000,000 7.875% Non-Cumulative Preference Shares
34	GB00B3KS9W93	Lloyds Banking Group plc £299,987,729 9.25% Non-Cumulative Irredeemable Preference Shares
35	GB00B3KSB238	Lloyds Banking Group plc £99,999,942 9.75% Non-Cumulative Irredeemable Preference Shares
36	XS0156923913	Lloyds TSB Bank plc €500,000,000 6.35% Step-up Perpetual Capital Securities
37	XS0125681345	Bank of Scotland plc £150,000,000 7.286% Series A Perpetual Regulatory tier One Securities
38	XS0125686229	Bank of Scotland plc £150,000,000 7.281% Series B Perpetual Regulatory tier One Securities

<i>Exchange Priority Level</i>	<i>ISIN</i>	<i>Title of Existing Securities</i>
39	XS0156372343	Lloyds TSB Bank plc U.S.\$1,000,000,000 6.90% Perpetual Capital Securities
40	XS0109138536 (Reg S) XS0109138882 (144a)	Bank of Scotland Capital Funding L.P. £250,000,000 8.117% Non-cumulative Perpetual Preferred Securities, Class A
41	GB0058322420	HBOS Euro Finance (Jersey) L.P. €415,000,000 7.627% Fixed to Floating Rate Guaranteed Non- Voting Non-Cumulative Preferred Securities
42	XS0139175821	HBOS Capital Funding L.P. £600,000,000 6.461% Guaranteed Non-Voting Non-cumulative Perpetual Preferred Securities Series A
43	XS0109139344 (Reg S) XS0109139427 (144a)	Bank of Scotland Capital Funding L.P. £150,000,000 7.754% Non-cumulative Perpetual Preferred Securities, Class B
44	GB0058327924	HBOS Sterling Finance (Jersey) L.P. €245,000,000 7.881% Guaranteed Non-voting Non-cumulative Preferred Securities
45	XS0165483164	HBOS Capital Funding No.1 L.P. U.S.\$1,000,000,000 6.85% Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities
46	XS0111627112	HBOS plc €300,000,000 Floating Rate Undated Subordinated Step-up Notes
47	XS0125599687	HBOS plc ¥42,500,000,000 3.50% Undated Subordinated Step-up Notes
48	XS0138988042	HBOS plc €500,000,000 6.05% Fixed to Floating Rate Undated Subordinated Notes
49	XS0111599311	HBOS plc £300,000,000 7.50% Undated Subordinated Step-up Notes
50	XS0166717388	HBOS plc £600,000,000 5.75% Undated Subordinated Step-up Notes
51	XS0158313758	HBOS plc £500,000,000 5.75% Undated Subordinated Step-up Notes
52	GB0001905362	Lloyds TSB Bank plc £100,000,000 11.75% Perpetual Subordinated Bonds

APPENDIX 3

INTERACTION OF EXCHANGE OPTIONS AND EXCHANGE PRIORITIES

The interaction between the Exchange Options and the Exchange Priorities is summarised in the chart below. Offers to Exchange Existing Securities will be applied to the Exchange Priorities firstly in accordance with Step 1, secondly in accordance with Step 2 and (if applicable) thirdly in accordance with Step 3:

Step 1: Offers to Exchange which specify Exchange Option 2 or Exchange Option 4 will be aggregated into a pool ("Pool 1") and applied to the ECA Priority resulting in either (1A) or (1B):

(1A): If there are insufficient Offers to Exchange within Pool 1 to reach or exceed the Maximum Exchange Consideration Amount, no such Offers to Exchange will be accepted pursuant to this Step 1, and all Offers to Exchange in Pool 1 will instead be aggregated with any Option 3 Residual Offers (as defined in "Step 2" below) and applied as described in "Step 3" below.

(1B): If there are sufficient Offers to Exchange within Pool 1 to reach or exceed the Maximum Exchange Consideration Amount:

- (i) Offers to Exchange will be accepted in accordance with the ECA Priority up to and including the Maximum Exchange Consideration Amount (pro rated, if applicable, in the case of Offers to Exchange in respect of the lowest priority Existing Security accepted in this Step 1);
- (ii) Offers to Exchange within Pool 1 which have not been applied to the ECA Priority before the Maximum Exchange Consideration Amount is exceeded and which specify Exchange Option 2 will not be accepted and such Holders will not participate in the ECN Priority;
- (iii) Offers to Exchange within Pool 1 which have not been applied to the ECA Priority before the Maximum Exchange Consideration Amount is exceeded, and which specify Exchange Option 4, (including, for the avoidance of doubt, any residual part of any Offer to Exchange specifying Option 4 which was pro-rated as a result of reaching the Maximum Exchange Consideration Amount) will constitute "Option 4 Residual Offers" and will be applied as part of Pool 2 (as defined below) as described in "Step 2" below; and
- (iv) "Step 3" below shall not occur.

Step 2: Offers to Exchange which specify Exchange Option 1 or Exchange Option 3, together with Option 4 Residual Offers (if any), will be aggregated into a pool ("Pool 2") and applied to the ECN Priority, resulting as follows:

- (i) Offers to Exchange within Pool 2 will be accepted in accordance with the ECN Priority up to and including the Maximum ECN New Issue Amount (pro rated, if applicable, in the case of Offers to Exchange in respect of the lowest priority Existing Security accepted in this Step 2);
- (ii) Offers to Exchange within Pool 2 which have not been applied to the ECN Priority before the Maximum ECN New Issue Amount is exceeded, and which specify Exchange Option 1, will not be accepted and Holders will not participate in the ECA Priority (if re-run in Step 3);
- (iii) Offers to Exchange within Pool 2 which have not been applied to the ECN Priority before the Maximum ECN New Issue Amount is exceeded, and which are Exchange Option 4 Residual Offers, will not be accepted; and
- (iv) Offers to Exchange within Pool 2 which have not been applied to the ECN Priority before the Maximum ECN New Issue Amount is exceeded, and which specify Exchange Option 3, will (x) if paragraph (1A) above applies, constitute "Option 3 Residual Offers" (which shall include, for the avoidance of doubt, any residual part of any Offer to Exchange specifying Exchange Option 3 which was pro rated as a

result of reaching the Maximum ECN New Issue Amount) and will be applied as part of Pool 3 (as defined below) as described in “Step 3” below, or (y) if paragraph (1B) above applies, not be accepted.

Step 3: This Step 3 shall only occur if paragraph (1A) above applies. If paragraph (1A) above applies, the Offers to Exchange comprising Pool 1 will, together with Option 3 Residual Offers (if any), be aggregated into a pool (“Pool 3”) and applied to the ECA Priority, resulting as follows:

- (i) Offers to Exchange within Pool 3 will be accepted in accordance with the ECA Priority up to and including the Maximum Exchange Consideration Amount (pro rated, if applicable, in the case of Offers to Exchange in respect of the lowest priority Existing Security accepted in this Step 3); and
- (ii) Offers to Exchange within Pool 3 which have not been applied to the ECA Priority before the Maximum Exchange Consideration Amount is exceeded will not be accepted.

STEP 1: ECA Priority

- Offers to Exchange specifying Exchange Option 2 or Exchange Option 4 are pooled and applied to the ECA Priority in accordance with the ranking of the relative Existing Securities
- If the Maximum Exchange Consideration Amount is reached or exceeded, then Step 3 will not occur, Offers to Exchange applied to the ECA Priority before the Maximum Exchange Consideration Amount is exceeded will be accepted for the relevant Exchange Consideration Amount (subject to pro-ration) and Offers to Exchange which specify Exchange Option 4 and which have not been accepted above (if any) will be applied in Step 2
- If the Maximum Exchange Consideration Amount is NOT reached or exceeded, then no Offers to Exchange will be accepted pursuant to this Step 1 and instead Offers to Exchange specifying Exchange Option 2 or Exchange Option 4 shall be pooled with certain other Offers to Exchange as described in Step 3 and the ECA Priority will be re-run as described in Step 3

STEP 2: ECN Priority

- Offers to Exchange specifying Exchange Option 1 or Exchange Option 3 are pooled together with (if any) Offers to Exchange specifying Option 4 which were not accepted in Step 1 in circumstances where the Maximum Exchange Consideration Amount was exceeded, and applied to the ECN Priority in accordance with the ranking of the relative Existing Securities
- Offers to Exchange applied to the ECN Priority before the Maximum ECN New Issue Amount is exceeded will be accepted for exchange into ECNs (subject to pro-ration), and Offers to Exchange which specify Exchange Option 3 and which have not been accepted above (if any) will, if Step 3 occurs, be applied in Step 3

STEP 3: ECA Priority (re-run)

- Step 3 occurs only in the event that the Maximum Exchange Consideration Amount is NOT reached or exceeded in Step 1
- Offers to Exchange specifying Exchange Option 2 or Exchange Option 4 are pooled together with (if any) Offers to Exchange specifying Exchange Option 3 which were not accepted in Step 2, and applied to the ECA Priority in accordance with the ranking of the relative Existing Securities
- Offers to Exchange applied to the ECA Priority before the Maximum Exchange Consideration Amount is exceeded will be accepted for the relevant Exchange Consideration Amount (subject to pro-ration)

APPENDIX 4

ADDITIONAL INFORMATION FOR TTE INSTRUCTIONS

Holders of Existing Securities which are held in CREST will be required to provide the following information when completing the relevant TTE Instruction in connection with an Offer to Exchange:

Where the relevant Registrar is Equiniti Limited

<i>Existing Security</i>	<i>Exchange Option</i>	<i>Participant ID</i>	<i>Member Account ID</i>
Lloyds Banking Group plc £745,431,000 6.0884% Non-Cumulative Fixed to Floating Rate Preference Shares (GB00B3KSB675)	1	6RA05	L6088401
	2	6RA05	L6088402
	3	6RA05	L6088403
	4	6RA05	L6088404
Lloyds Banking Group plc £186,190,532 6.475% Non-Cumulative Preference Shares (GB00B3KSB568)	1	6RA04	LL647501
	2	6RA04	LL647502
	3	6RA04	LL647503
	4	6RA04	LL647504
Lloyds Banking Group plc £299,987,729 9.25% Non-Cumulative Irredeemable Preference Shares (B00B3KS9W93)	1	6RA02	LL092501
	2	6RA02	LL092502
	3	6RA02	LL092503
	4	6RA02	LL092504
Lloyds Banking Group plc £99,999,942 9.75% Non-Cumulative Irredeemable Preference Shares (GB00B3KSB238)	1	6RA03	LL097501
	2	6RA03	LL097502
	3	6RA03	LL097503
	4	6RA03	LL097504
Lloyds TSB Bank plc £100,000,000 11.75% Perpetual Subordinated Bonds GB0001905362	1	6RA01	LL117501
	2	6RA01	LL117502
	3	6RA01	LL117503
	4	6RA01	LL117504

Where the relevant Registrar is Capita Registrars Limited

<i>Existing Security</i>	<i>Exchange Option</i>	<i>Participant ID</i>	<i>Member Account ID</i>
Bank of Scotland plc £100,000,000 12.00% Perpetual Subordinated Bonds (GB0000395094)	1	RA10	BOS12OP1
	2	RA10	BOS12OP2
	3	RA10	BOS12OP3
	4	RA10	BOS12OP4
Bank of Scotland plc £100,000,000 8.750% Perpetual Subordinated Bonds GB0000395102	1	RA10	BOS8OPT1
	2	RA10	BOS8OPT2
	3	RA10	BOS8OPT3
	4	RA10	BOS8OPT4
Bank of Scotland plc £50,000,000 9.375% Perpetual Subordinated Bonds GB0005242879	1	RA10	BOS9OPT1
	2	RA10	BOS9OPT2
	3	RA10	BOS9OPT3
	4	RA10	BOS9OPT4
Bank of Scotland plc £75,000,000 13.625% Perpetual Subordinated Bonds GB0000394915	1	RA10	BOS13OP1
	2	RA10	BOS13OP2
	3	RA10	BOS13OP3
	4	RA10	BOS13OP4

APPENDIX 5

TTE INSTRUCTIONS AND NON-CLEARING SYSTEM EXCHANGE INSTRUCTIONS – ACKNOWLEDGEMENTS, REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

By completing and returning a TTE Instruction (in the case of Non-Clearing System Existing Securities held through CREST) or a Non-CREST Exchange Instruction (in the case of Non-Clearing System Existing Securities held outside of CREST), each Holder and, for CREST sponsored members, the CREST sponsor on behalf of the relevant Holder, agrees to make the acknowledgements, representations, warranties and undertakings set out below, which shall be deemed to be incorporated by reference therein.

For the purposes of this Appendix 5, references to “Non-Clearing System Exchange Instruction” shall, in the context of Offers to Exchange Existing Securities held in CREST, be deemed to refer to the relevant TTE Instruction. Holders will not be deemed to make the acknowledgements, representations, warranties and undertakings set out below upon submission of a CREST Exchange Instruction only, and the relevant Offers to Exchange will not be accepted unless a duly completed TTE Instruction is also given.

1. I/We have received the Exchange Offer Memorandum and have reviewed and accept the offer restrictions, terms, conditions, risk factors and other considerations of the Exchange Offer, all as described in the Exchange Offer Memorandum (including all of the other documents incorporated by reference into the Exchange Offer Memorandum), and have undertaken an appropriate analysis of the implications of the Exchange Offer without reliance on the ECN Issuers, Lloyds Banking Group, the Exchange Agent, the Dealer Managers or the Registrars.
2. I/We consent to the relevant Registrar and the Exchange Agent providing details concerning my/our identity to the ECN Issuers, Lloyds Banking Group and the Dealer Managers, and their respective legal advisers.
3. Upon the terms and subject to the conditions of the Exchange Offer, I/we Offer for Exchange in the Exchange Offer the principal amount/liquidation preference of the Existing Securities specified in the Non-Clearing System Exchange Instruction. Subject to and effective upon such exchange by the relevant ECN Issuer or Lloyds Banking Group (as the case may be), I/ we renounce all right, title and interest in and to all of the Existing Securities which are the subject of the Non-Clearing System Exchange Instruction on the exchange of such Existing Securities by or at the direction of the relevant ECN Issuer or Lloyds Banking Group pursuant to the Exchange Offer and waive and release any rights or claims I/we may have against the ECN Issuers or Lloyds Banking Group with respect to any such Existing Securities and the Exchange Offer.
4. If the Existing Securities which are the subject of the Non-Clearing System Exchange Instruction are accepted by the relevant ECN Issuer or Lloyds Banking Group (as the case may be), I/we acknowledge that (i) the Accrued Interest Payment or the Accrued Dividends Payment (as the case may be) will be paid in sterling, euro, dollars or yen (as applicable); (ii) such cash amounts will be deposited by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) with the Clearing Systems or into my/our nominated bank account; and (iii) on receipt of such cash amounts, the Clearing Systems will, where relevant, make payments promptly to the accounts in the Clearing Systems of the relevant Holders. The payment to the Clearing Systems on or before the relevant Settlement Date of the aggregate amount of the Accrued Interest Payments or the Accrued Dividends Payments (as the case may be), or the payment to the relevant bank account of the same, will discharge the obligation of the relevant ECN Issuer or Lloyds Banking Group (as the case may be) to Holders of the Existing Securities in respect of the payment of such amounts.
5. I/We agree to ratify and confirm each and every act or thing that may be done or effected by either ECN Issuer or Lloyds Banking Group, any of their respective directors or any person nominated by either ECN Issuer or Lloyds Banking Group in the proper exercise of his or her powers and/or authority hereunder.

6. I/We agree to do all such acts and things as shall be necessary and execute any additional documents deemed by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) to be desirable, in each case to complete the transfer of the Existing Securities to the relevant ECN Issuer or Lloyds Banking Group or its nominee in exchange for the relevant ECNs or the relevant Exchange Consideration and/or to perfect any of the authorities expressed to be given hereunder.
7. I/We have observed the laws of all relevant jurisdictions; obtained all requisite governmental, exchange control or other required consents; complied with all requisite formalities; and paid any issue, transfer or other taxes or requisite payments due from me/us in each respect in connection with any offer or acceptance in any jurisdiction and I/we have not taken or omitted to take any action in breach of the terms of the Exchange Offer or which will or may result in the ECN Issuers, Lloyds Banking Group, the Dealer Managers, the relevant Registrar, the Exchange Agent or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Exchange Offer, or invitation for Holders to Offer to Exchange Existing Securities in connection therewith.
8. All authority conferred or agreed to be conferred pursuant to the Non-Clearing System Exchange Instruction (including, without limitation, my/our representations, warranties and undertakings herein and my/our appointment of the Agent pursuant to paragraph 18 below) or pursuant to the Exchange Offer Memorandum, and all of my/our obligations shall be binding upon my/our successors, assigns, heirs, executors, trustees in bankruptcy, insolvency practitioners and legal representatives and shall not be affected by, and shall survive, my/our death, incapacity, bankruptcy, insolvency or any other similar proceedings.
9. No information has been provided to me/us by the ECN Issuers, Lloyds Banking Group, the Dealer Managers, any Existing Securities Trustee, the relevant Registrar or the Exchange Agent with regard to the tax consequences to Holders, Beneficial Owners or Direct Participants arising from the exchange of Existing Securities in the Exchange Offer or the receipt of ECNs or the relevant Exchange Consideration Amount, and any Accrued Interest Payment and/or Accrued Dividends Payment. I/We hereby acknowledge that I am/we are solely liable for any taxes and similar or related payments imposed on me/us under the laws of any applicable jurisdiction as a result of my/our participation in the Exchange Offer, and I/we agree that I/we will not and do not have any right of recourse (whether by way of reimbursement, indemnity or otherwise) against the ECN Issuers, Lloyds Banking Group, the Dealer Managers, any Existing Securities Trustee, the Registrars, the Exchange Agent or any other person in respect of such taxes and payments.
10. I am/We are not a person to whom it is unlawful to make an invitation pursuant to the Exchange Offer under applicable laws and I/we have (before submitting, or arranging for the submission on my/our behalf, as the case may be, of the Non-Clearing System Exchange Instruction in respect of the Existing Securities which are the subject of the Non-Clearing System Exchange Instruction) complied with all laws and regulations applicable to me/us for the purposes of my/our participation in the Exchange Offer.
11. I/We acknowledge that New Securities are being offered and sold in transactions not involving a public offering in the United States within the meaning of the Securities Act and the New Securities have not been and will not be registered under the Securities Act or any other applicable U.S. State Securities law and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (terms used in this and the following paragraph that are defined in Regulation S under the Securities Act are used as defined in Regulation S).
12. I/We (i) have not received or been sent copies of the Non-Clearing System Exchange Instruction or the Exchange Offer Memorandum or any related documents in, into or from the United States; (ii) am/are participating in the Exchange Offer in an offshore transaction in accordance with Regulation S under the Securities Act; (iii) am/are not located or resident in the United States; (iv) am/are not an agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal who has given instructions with respect to the Exchange Offer from within the United States or for a U.S. person, (v) have not otherwise utilised in connection with the Exchange Offer, directly or indirectly, the mails, or any means or instrumentality (including, without limitation, facsimile transmission, telex, telephone, email and

other forms of electronic transmission) of interstate or foreign commerce, or of any facilities of a national securities exchange, of the United States and (vi) am/are participating in the Exchange Offer from outside the United States and am/are not a U.S. person(s).

13. I am/We are, or the relevant Beneficial Owner is, a Non-U.S. Qualified Holder.
14. I/We have full power and authority to submit for exchange and transfer the Existing Securities hereby submitted for exchange and if such Existing Securities are accepted for exchange, such Existing Securities will be transferred to, or to the order of, the relevant ECN Issuer or Lloyds Banking Group (as the case may be) with full title free from all liens, charges and encumbrances, not subject to any adverse claim and together with all rights attached thereto.
15. The terms and conditions of the Exchange Offer shall be deemed to be incorporated in, and form a part of, the Non-Clearing System Exchange Instruction which shall be read and construed accordingly and the information given by me/us or on my/our behalf in the Non-Clearing System Exchange Instruction is true and will be true in all respects at the time of the exchange.
16. I/We accept that the ECN Issuers and Lloyds Banking Group are under no obligation to Holders to accept Offers to Exchange, and accordingly Offers to Exchange may be accepted or rejected by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) for any reason; and I/we accept that the relevant ECN Issuer or Lloyds Banking Group (as the case may be) may not be able to accept an Offer to Exchange for a variety of reasons including, in the case of Non-Clearing System Existing Securities only, because of any failure to Offer to Exchange the relevant Minimum Existing Holding.
17. In the case of Existing Securities which are the subject of the Non-Clearing System Exchange Instruction held in CREST, I/we represent, warrant and undertake that such Existing Securities are, at the time of submission of the Non-Clearing System Exchange Instruction, and will continue to be, until the relevant Settlement Date, held on my/our behalf by CREST.
18. I/We irrevocably undertake, represent, warrant and agree to and with each of the ECN Issuers, Lloyds Banking Group and the relevant Registrar that:
 - (a) the execution of the Non-Clearing System Exchange Instruction and its delivery to the relevant Registrar constitutes, subject to the acceptance by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) of my/our Offer to Exchange the Existing Securities which are the subject of the Non-Clearing System Exchange Instruction and to me/us not having validly revoked the Non-Clearing System Exchange Instruction in the limited circumstances in which such revocation is permitted, the irrevocable separate appointment of the relevant ECN Issuer as my/our agent and attorney (the "Agent") and I/we irrevocably instruct the Agent to:
 - (i) complete and execute all or any form(s) of transfer (including, without limitation, any stock transfer forms) and/or renunciation and/or other document(s) in the Agent's discretion in relation to the Existing Securities which are the subject of the Non-Clearing System Exchange Instruction in favour of the Agent or as the Agent may direct;
 - (ii) deliver such form(s) of transfer and/or renunciation and/or other document(s) at the Agent's discretion together with any certificate(s) and/or other document(s) of title relating to such Existing Securities for registration; and
 - (iii) do all such other acts and things as may in the opinion of the Agent be necessary or expedient for the purpose of, or in connection with, the acceptance by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) of the offer of such Existing Securities for exchange pursuant to the Exchange Offer and to vest in the relevant ECN Issuer or Lloyds Banking Group (as the case may be) such Existing Securities as provided above; and
 - (b) if any Existing Securities which are the subject of the Non-Clearing System Exchange Instruction are held in CREST, the execution of the Non-Clearing System Exchange Instruction and its delivery to the relevant Registrar constitutes, subject to the acceptance by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) of my/our Offer to Exchange the Existing Securities which are the subject of the Non-Clearing System Exchange Instruction for exchange and to me/us not having validly revoked the Non-Clearing System Exchange Instruction in the limited circumstances in

which such revocation is permitted, the irrevocable separate and additional appointment of the relevant Registrar as my/our agent with an irrevocable instruction to such Registrar as such agent:

- (i) to transfer to itself (or to such other person or persons as the relevant ECN Issuer may direct) by means of CREST all or any of the Existing Securities (but not exceeding the amount of Existing Securities which are the subject of the Non-Clearing System Exchange Instruction); and
- (ii) if the Exchange Offer is terminated, the Existing Securities which are the subject of the Non-Clearing System Exchange Instruction are not accepted for exchange by the relevant ECN Issuer or Lloyds Banking Group (as the case may be) or the Non-Clearing System Exchange Instruction is validly revoked (in the limited circumstances in which such revocation is permitted), to give instructions to EUI as soon as reasonably practicable after the date on which such event takes place to transfer all Relevant Existing Securities to my/our CREST account.

In this paragraph (b), "Relevant Existing Securities" means Existing Securities in uncertificated form and in respect of which a transfer or transfers to escrow has or have been effected pursuant to the procedures described in Part VI ("The Exchange Offer – Part B – Proposed Invitation to Eligible Retail Holders – Terms of the Exchange Offer – 7. Procedures for participating in the Exchange Offer – Holders of Existing Securities held in CREST and CREST Procedures") and where the transfer(s) to escrow was or were made in respect of Existing Securities held under the same participant ID and member account ID as the participant ID and member account ID set out in the TTE Instruction or the Non-Crest Exchange Instruction, as the case may be.

19. I/We agree that the Exchange Offer, the Non-Clearing System Exchange Instruction and any exchange of Existing Securities pursuant to the Exchange Offer, and any non-contractual obligations arising out of or in connection with the Exchange Offer, shall be governed by and construed in accordance with English law. By submitting the Non-Clearing System Exchange Instruction I/we irrevocably and unconditionally agree for the benefit of the ECN Issuers, Lloyds Banking Group, the Dealer Managers, the Exchange Agent and the Registrars that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Exchange Offer or the Non-Clearing System Exchange Instruction and that, accordingly, any suit, action or proceedings arising out of or in connection with such Exchange Offer or the Non-Clearing System Exchange Instruction may be brought in such courts.

APPENDIX 6

The following are the terms and conditions of the ECNs. The terms and conditions are subject to completion and amendment prior to the relevant Settlement Date provided such amendment is not, in the opinion of LBG Capital No.1, materially prejudicial to Holders. They are qualified in their entirety by reference to the terms and conditions set out in Schedule 4 of the ECN Trust Deed, to be dated on or around 1 December 2009. In the event of any differences or inconsistencies between the terms and conditions set out in this Appendix 6 and those set out in Schedule 4 of the ECN Trust Deed, the latter shall prevail.

PART A TERMS AND CONDITIONS OF THE ECNS

SUBJECT TO COMPLETION AND AMENDMENT

*The following (excluding italicised text) is the text of the terms and conditions (the “**Conditions**”) that, subject as supplemented, completed, or amended pursuant to the provisions of the relevant Pricing Schedule, shall be applicable to the ECNs in definitive form (if any) issued in exchange for the Global Security(ies) representing each Series. The full text of these Conditions together with the provisions of the relevant Pricing Schedule shall be endorsed on Bearer ECNs or on the Certificates relating to Registered ECNs. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Schedule. Those definitions will be endorsed on the definitive ECNs or Certificates, as the case may be. References in the Conditions to “**ECNs**” are to the ECNs of one Series only, not to all ECNs that may be issued pursuant to the Exchange Offer.*

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

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

In these Conditions, references to “the Issuer” are to the entity specified as the Issuer in the relevant Pricing Schedule.

1 Form, Denomination and Title

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

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

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

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

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

2 No Exchange of ECNs and Transfers of Registered ECNs

(a) No Exchange of ECNs

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

(b) Transfer of Registered ECNs

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

(c) Delivery of New Certificates

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

means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(d) Transfers Free of Charge

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

(e) Closed Periods

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

3 Status and Subordination of the ECNs

(a) Status

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

(b) Subordination

In the event of:

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

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

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

4 Guarantee; Status and Subordination of the Guarantee

In these Conditions, references to “the Guarantor” are to either or both of LBG or LTSB, as is specified as the Guarantor in the relevant Pricing Schedule.

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

(a) Guarantee and Status

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

(b) Subordination

In the event of:

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

the rights and claims of the ECN Securityholders and the Couponholders against [the]/[such]** Guarantor in respect of or arising under (including any damages awarded for breach of any obligations under) the ECNs, the Coupons and the Trust Deed relating to them will be subordinated, in the manner provided in this Condition 4(b) and in the Trust Deed, to the claims of all Guarantor Senior Creditors but shall rank (a) at least *pari passu* with the claims of holders of all obligations of [the]/[such]** Guarantor which constitute, or would but for any applicable limitation on the amount of such capital constitute, Lower Tier 2 Capital of [the]/[such]** Guarantor on a solo and/or consolidated basis; and (b) in priority to (01) the claims of holders of all obligations of [the]/[such]** Guarantor which constitute, or would but for any applicable limitation on the amount of such capital constitute, Upper Tier 2 Capital or Tier 1 Capital of [the]/[such]** Guarantor on a solo and/or consolidated basis, (02) the claims of holders of all other undated or perpetual subordinated obligations of [the]/[such]** Guarantor, and (03) the claims of holders of all classes of share capital of [the]/[such]** Guarantor.

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

5 Set-off

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

6 Interest Calculations

(a) Interest on Fixed Rate ECNs

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

(b) Interest on Floating Rate ECNs

(i) Interest Payment Dates

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

(ii) Business Day Convention

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

(iii) Floating Rate of Interest for Floating Rate ECNs

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

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

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

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

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

(y) If the Relevant Screen Page is not available or if sub-paragraph (x)(1) above applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above,

subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Floating Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.

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

(c) Interest on Fixed/Floating Rate ECNs

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

(d) Accrual of Interest

- (i) Where an ECN is to be redeemed pursuant to Condition 8(a), 8(d) or 8(e), interest shall accrue up to (but excluding) the due date for redemption, and shall cease to accrue on such ECN on the due date for redemption unless, upon due presentation, payment is

improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the relevant Rate of Interest from time to time in the manner provided in this Condition 6 to the Relevant Date.

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

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

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

(f) Calculations

The amount of interest payable per Calculation Amount in respect of any ECN for any Interest Accrual Period shall be calculated by reference to the Rate of Interest, the Calculation Amount specified in the relevant Pricing Schedule and the Day Count Fraction for such Interest Accrual Period, unless (as specified in the relevant Pricing Schedule) an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such ECN for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable 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 and Interest 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 under the Conditions, calculate such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, 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 to be notified to the Trustee, the Issuer, [the Guarantor]*/[the Guarantors]**, each of the Paying and Conversion Agents, the ECN Securityholders, any other Calculation Agent appointed in respect of the ECNs that is to make a further calculation upon receipt of such information and, if the ECNs are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no

event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 6(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If there is a default in payment in respect of the ECNs as provided in Condition 12(a), the accrued interest and the Rate of Interest payable in respect of the ECNs shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(h) Determination or Calculation by Trustee

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

(i) Definitions

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

“Business Day” means:

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

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

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

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

where:

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

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

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

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

where:

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

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

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

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

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

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

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

“**Fixed Interest Rate Period**” means the period specified as such in the relevant Pricing Schedule.

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

“**Floating Interest Rate Period**” means the period specified as such in the relevant Pricing Schedule.

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

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

“Interest Amount” means:

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

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

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

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

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

“Interest Period Date” means each Interest Payment Date unless otherwise specified in the relevant Pricing Schedule.

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

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

“Reference Rate” means the rate specified as such in the relevant Pricing Schedule.

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

“Specified Currency” means the currency in which the ECNs are denominated.

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

(j) Calculation Agent

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the relevant Pricing Schedule and for so long as any ECN is outstanding. Where more than one Calculation Agent is appointed in respect of the ECNs, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior written approval of the Trustee) appoint a leading bank or financial institution engaged in the inter-

bank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(k) No Deferral

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

7 Conversion

(a) Conversion upon Conversion Trigger

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

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

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

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

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

(b) Payment of Conversion Settlement Sum

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

(c) Accrued Conversion Interest

- (i) Upon Conversion, the Issuer shall pay to the ECN Securityholders the Accrued Conversion Interest (if any) in respect of the ECNs on the Conversion Date.
- (ii) Payment of any Accrued Conversion Interest will be made by transfer to an account with a bank in the principal financial centre of the Specified Currency or, in the case of a payment in euro, to an account with a bank in a city in which banks have access to the TARGET System, as specified in the relevant Conversion Notice or, as the case may be, as provided below.
- (iii) If, in the case of a Conversion, a Conversion Notice and the relevant ECNs or the Certificate representing the same (in the case of Registered ECNs) are not delivered to a Paying and Conversion Agent on or before the Notice Cut-off Date or otherwise the relevant Conversion Notice shall have been determined or treated as null and void pursuant to the Deed Poll, any Accrued Conversion Interest in respect of the relevant ECNs which is to be paid on the Conversion Date shall be paid on the relevant Conversion Date to the Principal Paying and Conversion Agent for distribution to the relevant ECN Securityholders in accordance with Condition 9 or in such other manner and at such time as the Trustee shall determine and notify to the ECN Securityholders pursuant to Condition 17.

The following italicised text is a summary of certain provisions of the Deed Poll relating to the delivery of Ordinary Shares upon Conversion. The Deed Poll is separate from and does not form part of these Conditions.

(a) Conversion by LBG

In consideration of the Issuer’s obligation to pay the Conversion Settlement Sum to LBG, LBG shall issue or deliver a number of new and/or existing Ordinary Shares on Conversion of each ECN determined by dividing the principal amount of an ECN (where relevant, translated

into pounds sterling at the Prevailing Rate on the second London business day prior to the relevant Conversion Date) by (i) in the case of ECNs, where the Specified Currency is not pounds sterling, the conversion price (the “**Conversion Price**”) in effect on the relevant Conversion Date or (ii) in the case of ECNs, where the Specified Currency is pounds sterling, by the Specified Conversion Price.

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

The initial Conversion Price per Ordinary Share in respect of the ECNs is specified in the relevant Pricing Schedule. The Conversion Price is subject to adjustment in the circumstances described in paragraph (b) below.

Once an ECN has been converted into Ordinary Shares, there is no provision for the reconversion of such Ordinary Shares back into ECNs.

(b) Adjustment of Conversion Price

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

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

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

where:

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

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

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

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

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

where:

A is the aggregate number of Ordinary Shares in issue immediately before such issue; and

B is the aggregate number of Ordinary Shares in issue immediately after such issue.

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

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

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

where:

- A is the Current Market Price of one Ordinary Share on the Effective Date; and*
- B is the portion of the Fair Market Value of the aggregate Dividend attributable to one Ordinary Share, with such portion being determined by dividing the Fair Market Value of the aggregate Dividend by the number of Ordinary Shares entitled to receive the relevant Dividend (or, in the case of a purchase, redemption or buy back of Ordinary Shares or any depositary or other receipts or certificates representing Ordinary Shares by or on behalf of LBG or any Subsidiary of LBG, by the number of Ordinary Shares in issue immediately following such purchase, redemption or buy back, and treating as not being in issue any Ordinary Shares, or any Ordinary Shares represented by depositary or other receipts or certificates, purchased, redeemed or bought back).*

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

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

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

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

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

where:

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

warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this sub-paragraph (b)(iv), the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

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

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

where:

A is the Current Market Price of one Ordinary Share on the Effective Date; and

B is the Fair Market Value on the Effective Date of the portion of the rights attributable to one Ordinary Share.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this sub-paragraph (b)(v), the first date on which the Ordinary Shares are traded ex- the relevant Securities or ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

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

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

where:

A is the number of Ordinary Shares in issue immediately before the issue of such Ordinary Shares or the grant of such options, warrants or rights;

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the issue of such Ordinary Shares or, as the case may be, for the Ordinary Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Ordinary Share; and

C is the number of Ordinary Shares to be issued pursuant to such issue of such Ordinary Shares or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this sub-paragraph (b)(vi), the date of issue of such Ordinary Shares or, as the case may be, the grant of such options, warrants or rights.

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

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

where:

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

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

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this sub-paragraph (b)(vii), the date of issue of such Securities or, as the case may be, the grant of such rights.

- (viii) If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such Securities (other than the ECNs, which term shall for this purpose include any Further ECNs) as are mentioned in

sub-paragraph (b)(vii) above (other than in accordance with the terms (including terms as to adjustment) applicable to such Securities upon issue) so that following such modification the consideration per Ordinary Share receivable has been reduced and is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

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

where:

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

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

Such adjustment shall become effective on the Effective Date.

“**Effective Date**” means, in respect of this sub-paragraph (b)(viii), the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such Securities.

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

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

where:

A is the Current Market Price of one Ordinary Share on the Effective Date; and

B is the Fair Market Value on the Effective Date of the portion of the relevant offer attributable to one Ordinary Share.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this sub-paragraph (b)(ix), the first date on which the Ordinary Shares are traded ex-rights on the Relevant Stock Exchange.

- (x) If LBG determines that a reduction to the Conversion Price should be made for whatever reason, the Conversion Price will be reduced (either generally or for a specified period as notified to ECN Securityholders) in such manner and with effect from such date as LBG shall determine and notify to the ECN Securityholders.

Notwithstanding the foregoing provisions:

- (A) where the events or circumstances giving rise to any adjustment pursuant to this paragraph (b) have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances which have already given or will give rise to an adjustment to the Conversion Price or where more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of LBG, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be determined in good faith by an Independent Financial Adviser to be in its opinion appropriate to give the intended result;
- (B) such modification shall be made to the operation of this Deed Poll as may be determined in good faith by an Independent Financial Adviser to be in its opinion appropriate (i) to ensure that an adjustment to the Conversion Price or the economic effect thereof shall not be taken into account more than once and (ii) to ensure that the economic effect of a Dividend is not taken into account more than once; and
- (C) for the avoidance of doubt, the issue of Ordinary Shares upon a Conversion or upon any conversion or exchange in respect of any other Securities or the exercise of any other options, warrants or other rights shall not result in an adjustment to the Conversion Price.

For the purpose of any calculation of the consideration receivable or price pursuant to sub-paragraphs (b)(iv), (b)(vi), (b)(vii) and (b)(viii), the following provisions shall apply:

- (1) the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;
- (2) (x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any Securities shall be deemed to be the consideration or price received or receivable for any such Securities and (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any Securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such Securities or, as the case may be, for such options, warrants or rights which are attributed by LBG to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the relevant date of first public announcement referred to in paragraph (b)(vi), (b)(vii) or (b)(viii), as the case may be, plus in the case of each of (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights and (z) the consideration receivable or price per Ordinary Share upon

the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such Securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (x) or (y) above (as the case may be) divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;

- (3) if the consideration or price determined pursuant to (1) or (2) above (or any component thereof) shall be expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date (in the case of (1) above) or the relevant date of first public announcement (in the case of (2) above);
- (4) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or Securities or options, warrants or rights, or otherwise in connection therewith; and
- (5) the consideration or price shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable, regardless of whether all or part thereof is received, receivable, paid or payable by or to LBG or another entity.

(c) Retroactive Adjustments

If the Conversion Date in relation to the conversion of any ECN shall be after the record date in respect of any consolidation, reclassification or sub-division as is mentioned in paragraph (b)(i), or after the record date or other due date for the establishment of entitlement for any such issue, distribution, grant or offer (as the case may be) as is mentioned in paragraph (b)(ii), (iii), (iv), (v) or (ix), or after the date of the first public announcement of the terms of any such issue or grant as is mentioned in paragraphs (b)(vi) and (vii) or of the terms of any such modification as is mentioned in paragraph (b)(viii), but before the relevant adjustment to the Conversion Price becomes effective under paragraph (b) (such adjustment, a **“Retroactive Adjustment”**), then LBG shall (conditional upon the relevant adjustment becoming effective) procure that there shall be issued or delivered to the relevant ECN Securityholder, in accordance with the instructions contained in the relevant Conversion Notice or, as the case may be, to the Relevant Person, such additional number of Ordinary Shares (if any) (the **“Additional Ordinary Shares”**) as, together with the Ordinary Shares issued or delivered on Conversion of the relevant ECN (together with any fraction of an Ordinary Share not so issued or delivered), is equal to the number of Ordinary Shares which would have been required to be issued or delivered on Conversion if the relevant adjustment to the Conversion Price had been made and become effective immediately prior to the relevant Conversion Date. Where such Additional Ordinary Shares are to be issued to the Relevant Person, the provisions of paragraph (j)(iii) below relating to the sale of Ordinary Shares shall apply *mutatis mutandis*.

(d) Decision of an Independent Financial Adviser

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

(e) Share Option Schemes

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

(f) Rounding Down and Notice of Adjustment to the Conversion Price

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

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

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

(g) Qualifying Relevant Event

(i) If a Qualifying Relevant Event shall occur, the ECNs shall, where the Conversion Date falls on or after the New Conversion Condition Effective Date, be converted into Relevant Shares of the Approved Entity, mutatis mutandis as provided in accordance with this Deed Poll, at a Conversion Price that shall be initially the New Conversion Price and where the principal amount of the ECNs (where relevant) shall be translated into pounds sterling at the Prevailing Rate on the second London business day prior to the relevant Conversion Date.

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

(iii) In the case of a Qualifying Relevant Event:

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

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

(iv) Within 10 calendar days following the occurrence of a Relevant Event, LBG shall give notice thereof to the ECN Securityholders (a "**Relevant Event Notice**").

The Relevant Event Notice shall specify:

(1) the identity of the Acquiror;

(2) whether the Relevant Event is a Qualifying Relevant Event or a Non-Qualifying Relevant Event;

(3) in the case of a Qualifying Relevant Event, if determined at such time, the New Conversion Price;

- (4) *in the case of a Non-Qualifying Relevant Event where the Acquiror is an Approved Entity, that, with effect from the date falling eight days following the occurrence of the Relevant Event and unless the Conversion Trigger shall have occurred prior to such date, outstanding ECNs shall not be subject to Conversion at any time notwithstanding that a Conversion Trigger may occur subsequently; and*
- (5) *in the case of a Non-Qualifying Relevant Event where the Acquiror is not an Approved Entity, that, with effect from the occurrence of the Relevant Event and unless the Conversion Trigger shall have occurred prior to such date, outstanding ECNs shall not be subject to Conversion at any time notwithstanding that a Conversion Trigger may occur subsequently.*
- (v) **“Acquiror”** means the person which, following a Relevant Event, controls LBG.

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

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

“Excepted Person” means any of:

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

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

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

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

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

where:

NCP is the New Conversion Price.

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

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

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

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

“Qualifying Relevant Event” means a Relevant Event where:

- (i) the Acquiror is an Approved Entity; and
- (ii) the New Conversion Condition is satisfied.

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

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

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

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

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

(h) Procedure for Settlement and Delivery of Ordinary Shares on Conversion

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

(i) Fractions

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

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

(j) Procedure for Delivery in respect of a Conversion upon Conversion Trigger

- (i) In order to obtain delivery of the relevant Ordinary Shares on a Conversion of the ECNs, the relevant ECN Securityholder must (a) if the ECNs held by it are in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver a duly completed Conversion Notice, together with the relevant ECNs or Certificates representing the same (in the case of Registered ECNs) to the specified office of any Paying and Conversion Agent at least five business days in the relevant place of delivery prior to the relevant Conversion Date (the **“Notice Cut-off Date”**) or (b) if the ECNs held by it are represented by a Global Security or are in definitive form and held through Euroclear

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

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

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

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

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

- (iv) Any Conversion Notice shall be irrevocable. Failure properly to complete and deliver a Conversion Notice and deliver the relevant ECNs or the Certificate representing the same in the case of a Registered ECN may result in such notice being treated as null and void and LBG shall be entitled to effect settlement in accordance with sub-paragraph (iii) above. Any determination as to whether any Conversion Notice has been properly completed and delivered as provided in this Deed Poll shall be made by LBG in its sole discretion and shall be conclusive and binding on the relevant ECN Securityholders.

(k) Taxes and Duties

An ECN Securityholder or Relevant Person must pay (in the case of the Relevant Person by means of deduction from the net proceeds of sale referred to in paragraph (j) above) any taxes and capital, stamp, issue and registration and transfer taxes or duties arising on Conversion (other than any taxes or capital, issue and registration and transfer taxes or stamp duties payable in the United Kingdom in respect of the issue or transfer and delivery of the Ordinary Shares (including any Additional Ordinary Shares) in accordance with a Conversion Notice delivered pursuant to this Deed Poll which shall be paid by LBG) and such ECN Securityholder or the Relevant Person (as the case may be) must pay (in the case of the Relevant Person, by way of deduction from the net proceeds of sale as aforesaid) all, if any, taxes arising by reference to any disposal or deemed disposal of an ECN or interest therein.

If LBG shall fail to pay any capital, stamp, issue, registration and transfer taxes and duties payable for which it is responsible as provided above, the ECN Securityholder or Relevant Person, as the case may be, shall be entitled (but shall not be obliged) to tender and pay the same and LBG as a separate and independent stipulation, covenants to reimburse and indemnify on an after tax basis each ECN Securityholder or Relevant Person, as the case may be, in respect of any payment thereof and any penalties payable in respect thereof.

(l) Delivery

LBG will procure that Ordinary Shares to be issued or delivered on a Conversion will be issued or delivered to the holder of the relevant ECNs completing the relevant Conversion Notice or its nominee. Such Ordinary Shares will be deemed to be issued and delivered as of the relevant Conversion Date. Any Additional Ordinary Shares to be issued and delivered pursuant to paragraph (c) will be deemed to be issued or delivered as of the relevant Reference Date.

Ordinary Shares will be delivered in uncertificated form through the dematerialised securities trading system operated by Euroclear UK & Ireland Limited, known as CREST, unless at the relevant time the Ordinary Shares are not a participating security in CREST, in which case Ordinary Shares will be delivered in certificated form. Where Ordinary Shares are to be delivered through CREST, they will be delivered to the account specified by the relevant ECN Securityholder in the relevant Conversion Notice or, as the case may be, as specified by the Relevant Person, on the relevant Settlement Date (or, in the case of Additional Ordinary Shares, not later than seven London business days following the Reference Date). Where Ordinary Shares are to be delivered in certificated form, a certificate in respect thereof will be dispatched by mail free of charge to the relevant ECN Securityholder or as it may direct in the relevant Conversion Notice or, where Ordinary Shares are to be issued or delivered to the Relevant Person pursuant to paragraph (j)(iii) above, as directed by the Relevant Person (in each case uninsured and at the risk of the relevant recipient) within 28 days following the relevant Conversion Date or, as the case may be, the Reference Date.

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

(m) Ordinary Shares

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

distributions or payments the record date or other due date for the establishment of entitlement for which falls prior to the relevant Conversion Date or, as the case may be, the relevant Reference Date.

(n) Purchase or Redemption of Ordinary Shares

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

(o) Notices

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

(p) Covenants

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

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

- (1) by the issue of fully paid Ordinary Shares or other Securities to Shareholders and other holders of shares in the capital of LBG which, by their terms, entitle the holders thereof to receive Ordinary Shares or other shares or Securities on a capitalisation of profits or reserves; or
- (2) by the issue of Ordinary Shares paid up in full (in accordance with applicable law) and issued wholly, ignoring fractional entitlements, in lieu of the whole or part of a Dividend in cash; or
- (3) by the issue of fully paid equity share capital (other than Ordinary Shares) to the holders of equity share capital of the same class and other holders of shares in the capital of LBG which, by their terms, entitle the holders thereof to receive equity share capital (other than Ordinary Shares); or
- (4) by the issue of Ordinary Shares or any equity share capital to, or for the benefit of, any employee or former employee, director or executive holding or formerly holding executive office of LBG or any of its Subsidiaries or any associated company or to trustees or nominees to be held for the benefit of any such person, in any such case pursuant to an employee, director or executive share or option scheme whether for all employees, directors, or executives or any one or more of them,

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

(ii) not modify the rights attaching to the Ordinary Shares with respect to voting, dividends or liquidation but so that nothing in this paragraph (p)(ii) shall prevent:

- (1) any consolidation, reclassification or subdivision of the Ordinary Shares; or
- (2) any modification of such rights which is not, in the determination in good faith of an Independent Financial Adviser, materially prejudicial to the interests of the holders of the ECNs; or
- (3) without prejudice to any rule of law or legislation (including regulations made under Sections 783, 784(3), 785 and 788 of the Companies Act or any other provision of that or any other legislation), the conversion of Ordinary Shares into, or the issue of any Ordinary Shares in, uncertificated form (or the conversion of Ordinary Shares in uncertificated form to certificated form) or the amendment of the Articles of Association of LBG to enable title to securities (including Ordinary Shares) to be evidenced and transferred without a written instrument or any other alteration to the Articles of Association of LBG made in connection with the matters described in this paragraph (p)(ii) or which is supplemental or incidental to any of the foregoing

(including any amendment made to enable or facilitate procedures relating to such matters and any amendment dealing with the rights and obligations of holders of Securities, including Ordinary Shares, dealt with under such procedures); or

- (4) any issue of equity share capital or modification of rights attaching to the Ordinary Shares, where prior thereto LBG shall have instructed an Independent Financial Adviser to determine in good faith what (if any) adjustments should be made to the Conversion Price as being fair and reasonable to take account thereof and such Independent Financial Adviser shall have determined either that no adjustment is required or that an adjustment resulting in a decrease in the Conversion Price is required and, if so, the new Conversion Price as a result thereof and the basis upon which such adjustment is to be made and, in any such case, the date on which the adjustment shall take effect (and so that the adjustment shall be made and shall take effect accordingly);*
- (iii) procure that no Securities (whether issued by LBG or any Subsidiary of LBG or procured by LBG or any Subsidiary of LBG to be issued or issued by any other person pursuant to any arrangement with LBG or any Subsidiary of LBG) issued without rights to convert into, or exchange or subscribe for, Ordinary Shares shall subsequently be granted such rights exercisable at a consideration per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share at the close of business on the last dealing day preceding the date of the first public announcement of the proposed inclusion of such rights unless the same gives rise (or would, but for the provisions of paragraph (i) relating to roundings and minimum adjustments or the carry forward of adjustments, give rise) to an adjustment to the Conversion Price and that at no time shall there be in issue Ordinary Shares of differing nominal values, save where such Ordinary Shares have the same economic rights;*
- (iv) not make any issue, grant or distribution or take or omit to take any other action if the effect thereof would be that, on Conversion, Ordinary Shares could not, under any applicable law then in effect, be legally issued as fully paid;*
- (v) not reduce its issued share capital, share premium account, capital redemption reserve, or any uncalled liability in respect thereof, or any non-distributable reserves, except:*
 - (1) pursuant to the terms of issue of the relevant share capital; or*
 - (2) by means of a purchase or redemption of share capital of LBG to the extent in any such case permitted by applicable law; or*
 - (3) as permitted by Sections 610(2) and (3) of the Companies Act; or*
 - (4) where the reduction does not involve any distribution of assets to Shareholders; or*
 - (5) solely in relation to a change in the currency in which the nominal value of the Ordinary Shares is expressed; or*
 - (6) a reduction of its share premium account to facilitate the writing off of goodwill arising on consolidation which requires the confirmation of the Court of Session in Scotland or other court of competent jurisdiction and which does not involve the return to Shareholders, either directly or indirectly, of an amount standing to the credit of the share premium account of LBG and in respect of which LBG shall have tendered to the Court of Session in Scotland or other court of competent jurisdiction such undertaking as it may require prohibiting, so long as any of the ECNs remains outstanding, the distribution (except by way of capitalisation issue) of any reserve which may arise in the books of LBG as a result of such reduction; or*
 - (7) to create distributable reserves; or*
 - (8) pursuant to a Newco Scheme; or*
 - (9) by way of transfer to reserves as permitted under applicable law; or*
 - (10) where the reduction is permitted by applicable law and LBG is advised by an Independent Financial Adviser, acting in good faith, that the interests of the ECN Securityholders will not be materially prejudiced by such reduction; or*

(11) where the reduction is permitted by applicable law and results in (or would, but for the provisions of paragraph (i) relating to roundings or the carry forward of adjustments, result in) an adjustment to the Conversion Price or is otherwise taken into account for the purposes of determining whether such an adjustment should be made,

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

- (vi) if any offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) Shareholders other than the offeror and/or any associates (as defined in Section 988(1) of the Companies Act)) of the offeror to acquire the whole or any part of the issued Ordinary Shares, or if any person proposes a scheme with regard to such acquisition (other than a Newco Scheme), give notice of such offer or scheme to the ECN Securityholders at the same time as any notice thereof is sent to the Shareholders (or as soon as practicable thereafter) that details concerning such offer or scheme may be obtained from the specified offices of the Paying and Conversion Agents and, where such an offer or scheme has been recommended by the board of directors of LBG, or where such an offer has become or been declared unconditional in all respects or such scheme has become effective, use all reasonable endeavours to procure that a like offer or scheme is extended to the holders of any Ordinary Shares issued during the period of the offer or scheme arising out of the Conversion and/or to the holders of the ECNs (which like offer or scheme in respect of such ECN Securityholders shall entitle any such ECN Securityholders to receive the same type and amount of consideration it would have received had it held the number of Ordinary Shares to which such ECN Securityholder would be entitled assuming Conversion in the relevant period);
- (vii) in the event of a Newco Scheme, take (or shall procure that there is taken) all necessary action to ensure that, immediately after completion of the Scheme of Arrangement, such amendments are made to this Deed Poll as are necessary to ensure that the ECNs may be converted into or exchanged for ordinary shares or units or the equivalent in Newco *mutatis mutandis* in accordance with and subject to this Deed Poll and the ordinary shares or units or the equivalent of Newco are:
- (A) admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's EEA Regulated Market; or
- (B) listed and admitted to trading on another Recognised Stock Exchange;
- (viii) issue, allot and/or deliver Ordinary Shares upon Conversion subject to and as provided in this Deed Poll;
- (ix) use all reasonable endeavours to ensure that its issued and outstanding Ordinary Shares and the Ordinary Shares issued upon Conversion shall be admitted to listing and trading on the Relevant Stock Exchange or admitted to listing on another regulated, regularly operating, recognised stock exchange or securities market (and provided always that such Ordinary Shares are listed on a recognised stock exchange for the purposes of Section 1005 of the Income Tax Act 2007);
- (x) at all times keep available for issue, free from pre-emptive or other preferential rights, sufficient Ordinary Shares to enable Conversion of the ECNs, and all other rights of subscription and exchange for Ordinary Shares, to be satisfied in full; and
- (xi) where the provisions of this Deed Poll require or provide for a determination by an Independent Financial Adviser, LBG shall use all reasonable endeavours promptly to appoint an Independent Financial Adviser for such purpose.

(q) Modifications and Amendments

LBG may, without the consent of ECN Securityholders or any other person, make any modification or amendment to this Deed Poll:

- (1) that is in its opinion of a formal, minor or technical nature or is made to correct a manifest or proven error; or

- (2) that is in its opinion not materially prejudicial to the interests of the ECN Securityholders; or
- (3) that is approved by an Extraordinary Resolution of the ECN Securityholders.

(r) Enforcement

An ECN Securityholder may, at its discretion, and without notice institute such proceedings against LBG as it may think fit to enforce any term or condition binding on LBG under this Deed Poll, but may not take any proceedings to enforce any obligation of LBG under or arising from this Deed Poll for the payment of any sum (including any damages awarded for breach of any obligations) other than instituting proceedings for the winding-up of LBG, proving in any winding-up of LBG and/or claiming in any liquidation of LBG. No payment in respect of this Deed Poll (including any damages as aforesaid) may be made by LBG nor will the ECN Securityholders accept the same, otherwise than during or after a winding-up or liquidation of LBG, unless LBG has given prior written notice to, and received no objection from, the FSA, which LBG shall confirm to the ECN Securityholders. No remedy against LBG, other than as referred to in this paragraph (r) shall be available to the ECN Securityholders, including for the recovery of amounts owing in respect of any breach by LBG of any of its other obligations under or in respect of this Deed Poll.

In any liquidation or winding-up of LBG, the claims of ECN Securityholders (other than to the extent such claims relate to a failure to deliver Ordinary Shares on Conversion) shall be subordinated and rank *mutatis mutandis* as provided in Condition 4(b) of the ECNs as if references therein to the Guarantor were references to LBG and the claims of ECN Securityholders (to the extent such claims relate to a failure to deliver Ordinary Shares on Conversion) shall be subordinated such that, in such liquidation or winding-up, the ECN Securityholders shall be entitled to receive only such amounts (if any) as they would have received if they had been the holders of such Ordinary Shares.

(s) Definitions

In this Deed Poll, unless otherwise provided:

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

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

“Companies Act” means the Companies Act 2006.

“Conversion Date” means, in the case of a Conversion upon Conversion Trigger, the date specified as such in the relevant Conversion Trigger Notice.

“Conversion upon Conversion Trigger” means a Conversion of the ECNs pursuant to Condition 7(a) of the ECNs.

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

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

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

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

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

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

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

- (i) where: (1) a Dividend in cash is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the issue or delivery of Ordinary Shares or other property or assets, or where a capitalisation of profits or reserves is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the payment of cash, then the Dividend in question shall be treated as a cash Dividend of an amount equal to the greater of (i) the Fair Market Value of such cash amount and (ii) the Current Market Price of such Ordinary Shares as at the first date on which the Ordinary Shares are traded ex- the relevant Dividend on the Relevant Stock Exchange or, as the case may be, the record date or other due date for establishment of entitlement in respect of the relevant capitalisation or, as the case may be, the Fair Market Value of such other property or assets as at the date of the first public announcement of such Dividend or capitalisation on the Relevant Stock Exchange or, if later, the date on which the number of Ordinary Shares (or amount of such other property or assets, as the case may be) which may be issued or delivered is determined or (2) there shall be any issue of Ordinary Shares by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) where such issue is or is expressed to be in lieu of a Dividend (whether or not a cash Dividend equivalent or amount is announced or would otherwise be payable to Shareholders, whether at their election or otherwise), the Dividend in question shall be

treated as a cash Dividend of an amount equal to the Current Market Price of such Ordinary Shares as at the first date on which the Ordinary Shares are traded ex- the relevant capitalisation on the Relevant Stock Exchange or, as the case may be, the record date or other due date for establishment of entitlement in respect of the relevant capitalisation or, in any such case, if later, the date on which the number of Ordinary Shares to be issued or delivered is determined;

- (ii) any issue of Ordinary Shares falling within paragraph (b)(ii) of this Deed Poll shall be disregarded;*
- (iii) a purchase or redemption or buy back of share capital of LBG by or on behalf of LBG or any of its Subsidiaries shall not constitute a Dividend unless, in the case of a purchase or redemption or buy back of Ordinary Shares by or on behalf of LBG or any of its Subsidiaries, the weighted average price per Ordinary Share (before expenses) on any one day (a “**Specified Share Day**”) in respect of such purchases or redemptions or buy backs (translated, if not in the Relevant Currency, into the Relevant Currency at the Prevailing Rate on such day) exceeds by more than 5 per cent. the average of the daily Volume Weighted Average Price of an Ordinary Share on the five dealing days immediately preceding the Specified Share Day or, where an announcement (excluding, for the avoidance of doubt for these purposes, any general authority for such purchases, redemptions or buy backs approved by a general meeting of Shareholders or any notice convening such a meeting of Shareholders) has been made of the intention to purchase, redeem or buy back Ordinary Shares at some future date at a specified price or where a tender offer is made, on the five dealing days immediately preceding the date of such announcement or the date of first public announcement of such tender offer (and regardless of whether or not a price per Ordinary Share, a minimum price per Ordinary Share or a price range or formula for the determination thereof is or is not announced at such time), as the case may be, in which case such purchase, redemption or buy back shall be deemed to constitute a Dividend in the Relevant Currency to the extent that the aggregate price paid (before expenses) in respect of such Ordinary Shares purchased, redeemed or bought back by LBG or, as the case may be, any of its Subsidiaries (translated where appropriate into the Relevant Currency as provided above) exceeds the product of (i) 105 per cent. of the daily Volume Weighted Average Price of an Ordinary Share determined as aforesaid and (ii) the number of Ordinary Shares so purchased, redeemed or bought back;*
- (iv) if LBG or any of its Subsidiaries shall purchase, redeem or buy back any depositary or other receipts or certificates representing Ordinary Shares, the provisions of paragraph (iii) above shall be applied in respect thereof in such manner and with such modifications (if any) as shall be determined in good faith by an Independent Financial Adviser; and*
- (v) where a dividend or distribution is paid or made to Shareholders pursuant to any plan implemented by LBG for the purpose of enabling Shareholders to elect, or which may require Shareholders, to receive dividends or distributions in respect of the Ordinary Shares held by them from a person other than, or in addition to, LBG, such dividend or distribution shall for the purposes of this Deed Poll be treated as a dividend or distribution made or paid to Shareholders by LBG, and the foregoing provisions of this definition and the provisions of this Deed Poll, including references to LBG paying or making a dividend, shall be construed accordingly, and any such determination shall be made on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit.*

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

“ECN Securityholders” has the meaning provided in the Conditions of the ECNs and shall, for the purposes of this Deed Poll, if the ECNs are represented by a Global Security or are in definitive form and held through Euroclear or Clearstream, Luxembourg, include each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of ECNs (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such ECNs standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest

error), and such person shall be treated by LBG as the holder of such principal amount of such ECNs for all purposes. In addition, the term “ECN Securityholder” (as defined) shall, in the case of a Conversion of ECNs, for the purposes only of this Deed Poll, also include the person who was the holder of the relevant ECN on the relevant Conversion Date until such time as LBG shall have satisfied its obligations in full pursuant to this Deed Poll in respect of the Conversion of such ECN. The expression “ECN holders”, “ECN” and “holder of ECNs” and related expressions shall be construed accordingly.

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

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

“**Extraordinary Resolution**” has the meaning provided in the Trust Deed.

“**Fair Market Value**” means, with respect to any property on any date, the fair market value of that property as determined by an Independent Financial Adviser in good faith, provided that (i) the Fair Market Value of a cash Dividend shall be the amount of such cash Dividend; (ii) the Fair Market Value of any other cash amount shall be the amount of such cash; (iii) where Securities, Spin-Off Securities, options, warrants or other rights are publicly traded on a stock exchange or securities market of adequate liquidity (as determined in good faith by an Independent Financial Adviser), the Fair Market Value (a) of such Securities or Spin-Off Securities shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such Securities or Spin-Off Securities and (b) of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights, in the case of (a) and (b), during the period of five dealing days on the relevant stock exchange or securities market commencing on such date (or, if later, the first such dealing day such Securities, Spin-Off Securities, options, warrants or other rights are publicly traded) or such shorter period as such Securities, Spin-Off Securities, options, warrants or other rights are publicly traded; (iv) where Securities, Spin-Off Securities, options, warrants or other rights are not publicly traded on a stock exchange or securities market of adequate liquidity (as aforesaid), the Fair Market Value of such Securities, Spin-Off Securities, options, warrants or other rights shall be determined in good faith by an Independent Financial Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Ordinary Share, the dividend yield of an Ordinary Share, the volatility of such market price, prevailing interest rates and the terms of such Securities, Spin-Off Securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof. Such amounts shall, in the case of (i) above, be translated into the Relevant Currency (if declared or paid or payable in a currency other than the Relevant Currency) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the cash Dividend in the Relevant Currency; and, in any other case, shall be translated into the Relevant Currency (if expressed in a currency other than the Relevant Currency) at the Prevailing Rate on that date. In addition, in the case of (i) and (ii) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit.

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

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

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

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

“LBG Group” means LBG and its Subsidiaries.

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

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

“Notice Cut-off Date” has the meaning provided in paragraph (j)(i).

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

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

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

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

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

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

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

“Retroactive Adjustment” has the meaning provided in paragraph (c).

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

“Series” means a series of ECNs issued pursuant to the Trust Deed that have identical terms on issue and are expressed to have the same series number, as set out in the relevant Pricing Schedule.

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

“Shareholders” means the holders of Ordinary Shares.

“Specified Date” has the meaning provided in sub-paragraphs (b)(vii) and (viii).

“Spin-Off” means:

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

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

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

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

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

“£” and **“sterling”** means the lawful currency for the time being of the United Kingdom.

References to **“ordinary share capital”** has the meaning provided in Section 832 of the Income and Corporation Taxes Act 1988 and **“equity share capital”** has the meaning provided in Section 548 of the Companies Act.

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

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

In making any calculation or determination of Current Market Price or Volume Weighted Average Price, such adjustments (if any) shall be made as an Independent Financial Adviser determines in good faith to be appropriate to reflect any consolidation or sub-division of the Ordinary Shares or any issue of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event.

For the purposes of paragraphs (b), (c), (e), (h), (i), (j), (k) and (p), (1) references to the **“issue”** of Ordinary Shares or Ordinary Shares being **“issued”** shall, unless otherwise expressly specified in those paragraphs, include the delivery of Ordinary Shares, whether

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

Unless otherwise provided herein, terms defined in the ECNs or the Trust Deed shall have the same meaning in this Deed Poll.

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

8 Redemption and Purchase

(a) Final Redemption

Unless previously converted, redeemed or purchased and cancelled as provided in these Conditions, each ECN shall be redeemed on the Maturity Date specified in the relevant Pricing Schedule at its principal amount (or at such other amount as may be specified in the relevant Pricing Schedule).

(b) Conditions to Redemption and Purchase

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

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

(c) Early Redemption

Save as provided in Conditions 8(d) and (e) (and subject to Condition 7(b)), the Issuer shall not be entitled to redeem the ECNs prior to the Maturity Date.

(d) Redemption Due to Taxation

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

(e) Redemption for Regulatory Purposes

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

(f) Conversion Trigger

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

(g) Purchases

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

(h) Cancellation

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

(i) Trustee Not Obligated to Monitor

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

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

9 Payments and Talons

(a) Bearer ECNs

(i) Payment of principal and premium (if any) in respect of the Bearer ECNs to be made to holders of the Bearer ECNs and payment of accrued interest payable on a redemption of the Bearer ECNs (other than on an Interest Payment Date) and payment of any Accrued Conversion Interest that is to be paid in accordance with this Condition 9 shall, in each case, be made against presentation and surrender of the relevant Bearer ECNs at the specified office of any Paying and Conversion Agent outside the United States.

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

(b) Registered ECNs

- (i) Payments of principal and premium (if any) to be made to holders in respect of Registered ECNs and payments of accrued interest payable on a redemption of Registered ECNs (other than on an Interest Payment Date) and payment of any Accrued Conversion Interest that is to be paid in accordance with this Condition 9 shall, in each case, be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in (ii) below.
- (ii) Payments of interest to be made to holders in respect of Registered ECNs due on an Interest Payment Date shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”).
- (iii) All such payments shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such ECN at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.
- (iv) Payments of all other amounts other than as referred to in (i) and (ii) will be made as provided in these Conditions.

(c) Payments in the United States

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

(d) Payments subject to Fiscal Laws

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

(e) Appointment of Agents

The initial Principal Paying and Conversion Agent, the other Paying and Conversion Agents, Registrar, Transfer Agents and Calculation Agent and their respective specified offices are listed below. The Principal Paying and Conversion Agent, the Paying and Conversion Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and [the]/[each]** Guarantor and do not assume any obligation or relationship of agency or trust for or with any ECN Securityholder or Couponholder. The Issuer reserves the

right at any time with the approval of the Trustee to vary or terminate the appointment of the Principal Paying and Conversion Agent, any other Paying and Conversion Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying and Conversion Agents, Calculation Agents or Transfer Agents, provided that there shall at all times be (i) a Principal Paying and Conversion Agent, (ii) a Registrar in relation to Registered ECNs, (iii) a Transfer Agent in relation to Registered ECNs, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) such other agents as may be required by any other stock exchange on which the ECNs may be listed, in each case as approved by the Trustee and (vi) a Paying and Conversion Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

In addition, the Issuer shall:

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

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

(f) Unmatured Coupons and unexchanged Talons

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

(g) Talons

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

(h) Non-Business Days

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

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

10 Taxation

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

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

11 Prescription

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

12 Events of Default

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

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

(a) Events of Default

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

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

(b) Proceedings for Winding-up

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

(c) Enforcement

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

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

(d) Entitlement of Trustee

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

(e) Right of ECN Securityholders

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

(f) Extent of ECN Securityholder's remedy

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

(g) Deed Poll

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

13 Meetings of ECN Securityholders, Modification, Waiver and Substitution

(a) Meetings of ECN Securityholders

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

aggregate principal amount of the ECNs for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on ECN Securityholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

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

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

(b) Modification of the Trust Deed

The Trustee may agree, without the consent of the ECN Securityholders 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 ECN Securityholders. Any such modification, authorisation or waiver shall be binding on the ECN Securityholders and the Couponholders and, if the Trustee so requires, shall be notified to the ECN Securityholders as soon as practicable.

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

(c) Newco Scheme

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

(d) Substitution

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

(e) Entitlement of the Trustee

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

14 Indemnification of the Trustee

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

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

15 Replacement of ECNs, Certificates, Coupons and Talons

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

16 Further Issues

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

17 Notices

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

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

18 Contracts (Rights of Third Parties) Act 1999

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

19 Definitions

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

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

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

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

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

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

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

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

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

Capital or Lower Tier 2 Capital of [the]*/[such]** Guarantor on a solo and/or consolidated basis, or whose claims rank or are expressed to rank *pari passu* with, or junior to, the claims of ECN Securityholders);

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

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

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

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

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

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

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

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

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

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

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

In these Conditions and the Trust Deed, capitalised terms have the meaning given to them in the relevant Pricing Schedule, the absence of any such meaning indicating that such term is not applicable to the ECNs.

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

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

Unless otherwise provided in these Conditions, terms defined and references construed in the Deed Poll shall have the same meaning and construction in these Conditions.

20 Governing Law and Jurisdiction

(a) Governing Law

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

(b) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed, any ECNs, Coupons or Talons or the Guarantee (other than Condition 4 (and related provisions of the Trust Deed) relating to the status and subordination of the Guarantee (“**Excluded Matters**”) in relation to LBG where LBG is a Guarantor, in respect of which the Court of Session in Scotland shall have jurisdiction) and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or any ECNs, Coupons or Talons or the Guarantee (“**Proceedings**”) may be brought in such courts. [Each of the Issuer and the Guarantor have]*/[The Issuer and each Guarantor has]** in the Trust Deed irrevocably submitted to the jurisdiction of the courts of England in respect of any such Proceedings (other than in respect of Excluded Matters in relation to LBG where LBG is a Guarantor). Where LBG is a Guarantor, LBG has irrevocably submitted to the jurisdiction of the Court of Session in Scotland in respect of any Proceedings relating to Excluded Matters.

(c) Service of Process

LBG has in the Trust Deed irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

APPENDIX 6

PART B

Pricing Schedules relating to the ECNs

The Pricing Schedules set out below relate to each series of ECNs. Each Pricing Schedule is subject to completion and amendment prior to the relevant Settlement Date provided such amendment is not, in the opinion of LBG Capital No.1 (in consultation with the Dealer Managers), materially prejudicial to Holders. The Pricing Schedules are qualified in their entirety by reference to the Pricing Schedules set out in Schedule 4 of the ECN Trust Deed, to be dated on or around 1 December 2009. In the event of any differences or inconsistencies between the Pricing Schedules set out in this Appendix 6 and those set out in Schedule 4 of the ECN Trust Deed, the latter shall prevail.

PRICING SCHEDULE

relating to

LBG Capital No.1 plc

GBP Denominated 7.5884 per cent. ECNs due 2020

guaranteed on a subordinated basis by

Lloyds Banking Group plc

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.1 plc
2	Guarantor:	Lloyds Banking Group plc
3	(i) Series Number:	1
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP1,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	12 May 2020
9	Interest Basis:	7.5884 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of Principal Amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	7.5884 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	12 May and 12 November in each year commencing on 12 May 2010
	(iii) Fixed Coupon Amount(s):	To be calculated in accordance with Condition 6(f)
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA) for the regular semi annual Interest Period with Interest Payment Dates as above. For any other period including the Broken Amount Interest Period the Day Count Fraction is Actual/365 (Fixed)
	(vi) Determination Dates:	12 May and 12 November in each year (applicable to Actual/Actual (ICMA) calculations only)

(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13 Floating Rate Note Provisions	Not Applicable
14 Fixed/Floating Rate ECNs	Not Applicable
PROVISIONS RELATING TO CONVERSION	
15 Conversion Price (subject to adjustment as provided in the Deed Poll)	<i>As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group on 27 November 2009</i>
PROVISIONS RELATING TO REDEMPTION	
16 Redemption due to Taxation Redemption Price:	Par
17 Redemption for Regulatory Purposes Redemption Price:	Par
GENERAL PROVISIONS APPLICABLE TO THE NOTES	
18 Form of Notes:	Registered Notes
19 Financial Centre(s) or other special provisions relating to payment dates:	London
20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	No
21 ISIN:	XS0459086582
22 Common Code:	045908658

PRICING SCHEDULE

relating to
LBG Capital No.1 plc

**GBP Denominated 7.8673 per cent. ECNs due 2019
guaranteed on a subordinated basis by
Lloyds Banking Group plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.1 plc
2	Guarantor:	Lloyds Banking Group plc
3	(i) Series Number:	2
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP1,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	17 December 2019
9	Interest Basis:	7.8673 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of Principal Amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	7.8673 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	17 June in each year commencing on 17 June 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	17 June in each year
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** Registered Notes

19 Financial Centre(s) or other special provisions relating to payment dates: London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459086749

22 Common Code: 045908674

PRICING SCHEDULE

relating to
LBG Capital No.1 plc
GBP Denominated 7.975 per cent. ECNs due 2024
guaranteed on a subordinated basis by
Lloyds Banking Group plc

The ECNs will be constituted by a Trust Deed (the “Trust Deed”) to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.1 plc
2	Guarantor:	Lloyds Banking Group plc
3	(i) Series Number:	3
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling (“GBP”)
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP1
	(ii) Calculation Amount:	GBP1
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	15 September 2024
9	Interest Basis:	7.975 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of Principal Amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	7.975 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	15 March and 15 September in each year commencing 15 March 2010
	(iii) Fixed Coupon Amount(s):	To be calculated according to Condition 6(f)
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA) for the regular semi annual Interest Period with Interest Payment Dates as above. For any other period including the Broken Amount Interest Period the Day Count Fraction is Actual/365 (Fixed)
	(vi) Determination Dates:	15 March and 15 September in each year (applicable to Actual/Actual (ICMA) calculations only)

(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: Not Applicable

13 **Floating Rate Note Provisions** Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** Registered Notes

19 Financial Centre(s) or other special provisions relating to payment dates: London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459086822

22 Common Code: 045908682

PRICING SCHEDULE

relating to
LBG Capital No.1 plc

**GBP Denominated 10.75 per cent. ECNs due 2024
guaranteed on a subordinated basis by
Lloyds Banking Group plc**

The ECNs will be constituted by a Trust Deed (the “Trust Deed”) to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.1 plc
2	Guarantor:	Lloyds Banking Group plc
3	(i) Series Number:	4
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling (“GBP”)
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP1
	(ii) Calculation Amount:	GBP1
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	30 November 2024
9	Interest Basis:	10.75 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of Principal Amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	10.75 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	31 May and 30 November in each year commencing on 31 May 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	31 May and 30 November in each year
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** Registered Notes

19 Financial Centre(s) or other special provisions relating to payment dates: London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459087044

22 Common Code: 045908704

PRICING SCHEDULE

relating to
LBG Capital No.1 plc

**GBP Denominated 11.25 per cent. ECNs due 2024
guaranteed on a subordinated basis by
Lloyds Banking Group plc**

The ECNs will be constituted by a Trust Deed (the “Trust Deed”) to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.1 plc
2	Guarantor:	Lloyds Banking Group plc
3	(i) Series Number:	5
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling (“GBP”)
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP1
	(ii) Calculation Amount:	GBP1
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	30 November 2024
9	Interest Basis:	11.25 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of Principal Amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	11.25 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	31 May and 30 November in each year commencing on 31 May 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	31 May and 30 November in each year
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** Registered Notes

19 Financial Centre(s) or other special provisions relating to payment dates: London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459087127

22 Common Code: 045908712

PRICING SCHEDULE

relating to
LBG Capital No.1 plc
EUR Denominated 9.375 per cent. ECNs due 2019
guaranteed on a subordinated basis by
Lloyds Banking Group plc

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.1 plc
2	Guarantor:	Lloyds Banking Group plc
3	(i) Series Number:	6
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Euro ("EUR")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	EUR1,000
	(ii) Calculation Amount:	EUR1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	6 December 2019
9	Interest Basis:	9.375 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of Principal Amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	9.375 per cent. per annum payable, save as provided below, annually in arrear
	(ii) Interest Payment Date(s):	29 November in each year commencing on 29 November 2010 up to, and including, 29 November 2018 and then 6 December 2019
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	29 November in each year
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** Registered Notes

19 Financial Centre(s) or other special TARGET
provisions relating to payment dates:

20 Talons for future Coupons to be attached No
to Definitive Notes (and dates on which
such Talons mature):

21 ISIN: XS0459087390

22 Common Code: 045908739

PRICING SCHEDULE

relating to
LBG Capital No.1 plc
USD Denominated 9.375 per cent. ECNs due 2019
guaranteed on a subordinated basis by
Lloyds Banking Group plc

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.1 plc
2	Guarantor:	Lloyds Banking Group plc
3	(i) Series Number:	7
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	U.S. Dollars ("USD")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	USD1,000
	(ii) Calculation Amount:	USD1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	6 December 2019
9	Interest Basis:	9.375 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of Principal Amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	9.375 per cent. per annum payable, save as provided below, semi-annually in arrear
	(ii) Interest Payment Date(s):	29 May and 29 November in each year commencing on 29 May 2010 up to, and including, 29 May 2019 and then 6 December 2019
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	30/360
	(vi) Determination Dates:	Not Applicable
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** Registered Notes

19 Financial Centre(s) or other special provisions relating to payment dates: London and New York

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459087473

22 Common Code: 045908747

PRICING SCHEDULE

relating to
LBG Capital No.1 plc

**GBP Denominated 7.869 per cent. ECNs due 2020
guaranteed on a subordinated basis by
Lloyds Banking Group plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.1 plc
2	Guarantor:	Lloyds Banking Group plc
3	(i) Series Number:	8
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP50,000 and integral multiples of GBP1,000 in excess thereof up to and including GBP99,000. No notes in definitive form will be issued with a specified denomination above GBP99,000.
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	25 August 2020
9	Interest Basis:	7.869 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of Principal Amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	7.869 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	25 February and 25 August in each year commencing on 25 February 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	25 February and 25 August in each year

(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13 Floating Rate Note Provisions	Not Applicable
14 Fixed/Floating Rate ECNs	Not Applicable
PROVISIONS RELATING TO CONVERSION	
15 Conversion Price (subject to adjustment as provided in the Deed Poll)	<i>As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009</i>
PROVISIONS RELATING TO REDEMPTION	
16 Redemption due to Taxation Redemption Price:	Par
17 Redemption for Regulatory Purposes Redemption Price:	Par
GENERAL PROVISIONS APPLICABLE TO THE NOTES	
18 Form of Notes:	Registered Notes
19 Financial Centre(s) or other special provisions relating to payment dates:	London
20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	No
21 ISIN:	XS0459093364
22 Common Code:	045909336

PRICING SCHEDULE

relating to
LBG Capital No.2 plc

**USD Denominated 9.40 per cent. ECNs due 2021
guaranteed on a subordinated basis by
Lloyds TSB Bank plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	9
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	U.S. Dollars ("USD")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	USD1,000
	(ii) Calculation Amount:	USD1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	22 November 2021
9	Interest Basis:	9.40 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of Principal Amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	9.40 per cent. per annum payable quarterly in arrear
	(ii) Interest Payment Date(s):	22 February, 22 May, 22 August and 22 November in each year commencing on 22 February 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	30/360
	(vi) Determination Dates:	Not Applicable
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note

19 Financial Centre(s) or other special provisions relating to payment dates: New York and London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): Yes
Definitive Notes (and additional Coupon sheets) issued on a date falling more than 27 Interest Payment Dates prior to (and including) the Maturity Date will bear a Talon. Each Talon shall be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relevant Coupon sheet matures

21 ISIN: XS0459087556

22 Common Code: 045908755

PRICING SCHEDULE

relating to
LBG Capital No.2 plc

**GBP Denominated 10.617 per cent. ECNs due 2020
guaranteed on a subordinated basis by
Lloyds TSB Bank plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	10
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP1,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	31 May 2020
9	Interest Basis:	10.617 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of Principal Amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	10.617 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	31 May and 30 November in each year commencing on 31 May 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	31 May and 30 November in each year
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** Registered Notes

19 Financial Centre(s) or other special provisions relating to payment dates: London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459087630

22 Common Code: 045908763

PRICING SCHEDULE

relating to
LBG Capital No.1 plc

**EUR Denominated 10.127 per cent. ECNs due 2019
guaranteed on a subordinated basis by
Lloyds Banking Group plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.1 plc
2	Guarantor:	Lloyds Banking Group plc
3	(i) Series Number:	11
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Euro ("EUR")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	EUR50,000 and integral multiples of EUR1,000 in excess thereof up to and including GBP99,000. No notes in definitive form will be issued with a specified denomination above GBP99,000
	(ii) Calculation Amount:	EUR1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	9 December 2019
9	Interest Basis:	10.127 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of Principal Amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	10.127 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	9 December in each year commencing on 9 December 2009
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	9 December in each year

(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: Not Applicable

13 **Floating Rate Note Provisions** Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** Registered Notes

19 Financial Centre(s) or other special provisions relating to payment dates: TARGET

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459087804

22 Common Code: 045908780

PRICING SCHEDULE

relating to
LBG Capital No.2 plc

**EUR Denominated 8.875 per cent. ECNs due 2020
guaranteed on a subordinated basis by
Lloyds TSB Bank plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	12
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Euro ("EUR")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	EUR1,000
	(ii) Calculation Amount:	EUR1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	7 February 2020
9	Interest Basis:	8.875 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of Principal Amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	8.875 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	7 February in each year commencing on 7 February 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	7 February in each year
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** Registered Notes

19 Financial Centre(s) or other special TARGET
provisions relating to payment dates:

20 Talons for future Coupons to be attached No
to Definitive Notes (and dates on which
such Talons mature):

21 ISIN: XS0459087986

22 Common Code: 045908798

PRICING SCHEDULE

relating to
LBG Capital No.2 plc

**EUR Denominated 8.85 per cent. ECNs due 2020
guaranteed on a subordinated basis by
Lloyds TSB Bank plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	13
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Euro ("EUR")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	EUR1,000
	(ii) Calculation Amount:	EUR1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	25 February 2020
9	Interest Basis:	8.85 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of Principal Amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	8.85 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	25 February in each year commencing on 25 February 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	25 February in each year
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note

19 Financial Centre(s) or other special provisions relating to payment dates: TARGET

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459088018

22 Common Code: 045908801

PRICING SCHEDULE

relating to
LBG Capital No.2 plc

**GBP Denominated 9.334 per cent. ECNs due 2020
guaranteed on a subordinated basis by
Lloyds TSB Bank plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	14
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP1,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	7 February 2020
9	Interest Basis:	9.334 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of Principal Amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	9.334 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	7 February in each year commencing on 7 February 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	30/360
	(vi) Determination Dates:	Not Applicable
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** Registered Notes

19 Financial Centre(s) or other special provisions relating to payment dates: London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459088109

22 Common Code: 045908810

PRICING SCHEDULE

relating to
LBG Capital No.1 plc

**EUR Denominated 6.439 per cent. ECNs due 2020
guaranteed on a subordinated basis by
Lloyds Banking Group plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.1 plc
2	Guarantor:	Lloyds Banking Group plc
3	(i) Series Number:	15
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Euro ("EUR")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	EUR50,000 and integral multiples of EUR1,000 in excess thereof up to and including GBP99,000. No notes in definitive form will be issued with a specified denomination above GBP99,000
	(ii) Calculation Amount:	EUR1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	23 May 2020
9	Interest Basis:	6.439 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of Principal Amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	6.439 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	23 May in each year commencing on 23 May 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	23 May in each year

(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: Not Applicable

13 **Floating Rate Note Provisions** Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** Registered Notes

19 Financial Centre(s) or other special provisions relating to payment dates: TARGET

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459088281

22 Common Code: 045908828

PRICING SCHEDULE

relating to
LBG Capital No.2 plc

**GBP Denominated 9.786 per cent. ECNs due 2020
guaranteed on a subordinated basis by
Lloyds TSB Bank plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	16
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP1,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	31 May 2020
9	Interest Basis:	9.786 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of Principal Amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	9.786 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	31 May and 30 November in each year commencing on 31 May 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	30/360
	(vi) Determination Dates:	Not Applicable
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note

19 Financial Centre(s) or other special provisions relating to payment dates: London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459088364

22 Common Code: 045908836

PRICING SCHEDULE

relating to
LBG Capital No.2 plc

**GBP Denominated 9.781 per cent. ECNs due 2026
guaranteed on a subordinated basis by
Lloyds TSB Bank plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	17
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP1,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	31 May 2026
9	Interest Basis:	9.781 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of Principal Amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	9.781 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	31 May and 30 November in each year commencing on 31 May 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	30/360
	(vi) Determination Dates:	Not Applicable
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note

19 Financial Centre(s) or other special provisions relating to payment dates: London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): Yes
Definitive Notes (and additional Coupon sheets) issued on a date falling more than 27 Interest Payment Dates prior to (and including) the Maturity Date will bear a Talon. Each Talon shall be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relevant Coupon sheet matures

21 ISIN: XS0459088448

22 Common Code: 045908844

PRICING SCHEDULE

relating to
LBG Capital No.2 plc
EUR Denominated 6.385 per cent. ECNs due 2020
guaranteed on a subordinated basis by
Lloyds TSB Bank plc

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	18
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Euro ("EUR")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	EUR1,000, EUR10,000 and EUR100,000
	(ii) Calculation Amount:	EUR1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	12 May 2020
9	Interest Basis:	6.385 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of Principal Amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	6.385 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	12 May in each year commencing on 12 May 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	12 May in each year
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable
14	Fixed/Floating Rate ECNs	Not Applicable

PROVISIONS RELATING TO CONVERSION

- 15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

- 16 **Redemption due to Taxation**
Redemption Price: Par
- 17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note
- 19 Financial Centre(s) or other special provisions relating to payment dates: TARGET
- 20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No
- 21 ISIN: XS0459088794
- 22 Common Code: 045908879

PRICING SCHEDULE

relating to
LBG Capital No.1 plc

**GBP Denominated 11.04 per cent. ECNs due 2020
guaranteed on a subordinated basis by
Lloyds Banking Group plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.1 plc
2	Guarantor:	Lloyds Banking Group plc
3	(i) Series Number:	19
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP50,000 and integral multiples of GBP1,000 in excess thereof up to and including GBP99,000. No notes in definitive form will be issued with a specified denomination above GBP99,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	19 March 2020
9	Interest Basis:	11.04 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	11.04 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	19 March and 19 September in each year commencing on 19 March 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	19 March and 19 September in each year

(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: Not Applicable

13 **Floating Rate Note Provisions** Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** Registered Notes

19 Financial Centre(s) or other special provisions relating to payment dates: London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459088877

22 Common Code: 045908887

PRICING SCHEDULE

relating to
LBG Capital No.1 plc
GBP Denominated 8.961 per cent. ECNs due 2019
guaranteed on a subordinated basis by
Lloyds Banking Group plc

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.1 plc
2	Guarantor:	Lloyds Banking Group plc
3	(i) Series Number:	20
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP1,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	4 December 2019
9	Interest Basis:	8.961 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	8.961 per cent. per annum payable, save as provided below, semi-annually in arrear
	(ii) Interest Payment Date(s):	31 May and 30 November in each year commencing on 31 May 2010 up to, and including 31 May 2019 and then 4 December 2019
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	31 May and 30 November in each year
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** Registered Notes

19 Financial Centre(s) or other special provisions relating to payment dates: London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459089099

22 Common Code: 045908909

PRICING SCHEDULE

relating to
LBG Capital No.2 plc

**GBP Denominated 15.00 per cent. ECNs due 2019
guaranteed on a subordinated basis by
Lloyds TSB Bank plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	21
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP100,000 and integral multiples of GBP1,000 in excess thereof up to and including GBP199,000. No notes in definitive form will be issued with a Specified Denomination above GBP199,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	21 December 2019
9	Interest Basis:	15.00 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	15.00 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	21 January and 21 July in each year commencing on 21 January 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	21 January and 21 July in each year

(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13 Floating Rate Note Provisions	Not Applicable
14 Fixed/Floating Rate ECNs	Not Applicable
PROVISIONS RELATING TO CONVERSION	
15 Conversion Price (subject to adjustment as provided in the Deed Poll)	<i>As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009</i>
PROVISIONS RELATING TO REDEMPTION	
16 Redemption due to Taxation Redemption Price	Par
17 Redemption for Regulatory Purposes Redemption Price:	Make Whole Redemption Price as described in the Annex hereto
GENERAL PROVISIONS APPLICABLE TO THE NOTES	
18 Form of Notes:	Bearer Notes: Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note
19 Financial Centre(s) or other special provisions relating to payment dates:	London
20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	No
21 ISIN:	XS0459089255
22 Common Code:	045908925

Annex

“Make Whole Redemption Price” means, in respect of each ECN, (a) the principal amount of such ECN or, if this is higher, (b) the price, expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards), at which the Gross Redemption Yield on the ECN on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at 11.00 a.m. (London time) on the Reference Date of the Reference Bond plus five per cent., all as determined by the Calculation Agent and for the purposes of the definition of Make Whole Redemption Amount:

“Reference Bond” means the 4.75 per cent. Treasury Stock due 7 March 2020, or if such stock is no longer in issue such other United Kingdom government stock with a maturity date as near as possible to the Maturity Date, as the Calculation Agent may, with the advice of the Reference Market Makers, determine to be appropriate by way of substitution for the 4.75 per cent. Treasury Stock due 7 March 2020;

“Reference Date” means the date which is three Business Days prior to the date fixed for redemption pursuant to Condition 8(e) by the Issuer;

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

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

PRICING SCHEDULE

relating to
LBG Capital No.2 plc

EUR Denominated 15.00 per cent. ECNs due 2019
guaranteed on a subordinated basis by
Lloyds TSB Bank plc

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	22
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Euro ("EUR")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	EUR50,000 and integral multiples of EUR1,000 in excess thereof up to and including GBP99,000. No notes in definitive form will be issued with a specified denomination above GBP99,000
	(ii) Calculation Amount:	EUR1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	21 December 2019
9	Interest Basis:	15.00 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	15.00 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	21 January and 21 July in each year commencing on 21 January 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	21 January and 21 July in each year

(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable
14	Fixed/Floating Rate ECNs	Not Applicable
PROVISIONS RELATING TO CONVERSION		
15	Conversion Price (subject to adjustment as provided in the Deed Poll)	<i>As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009</i>
PROVISIONS RELATING TO REDEMPTION		
16	Redemption due to Taxation Redemption Price	Par
17	Redemption for Regulatory Purposes Redemption Price:	Make Whole Redemption Price as described in the Annex hereto
GENERAL PROVISIONS APPLICABLE TO THE NOTES		
18	Form of Notes:	Bearer Notes: Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note
19	Financial Centre(s) or other special provisions relating to payment dates:	TARGET
20	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	No
21	ISIN:	XS0459089412
22	Common Code:	045908941

Annex

“Make Whole Redemption Price” means, in respect of each ECN, (a) the principal amount of such ECN or, if this is higher, (b) the price, expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards), at which the annual yield to redemption on the ECNs on the Reference Date is equal to the Reference Bond Yield (determined by reference to the middle market price) at 11.00 a.m. (Brussels time) on the Reference Date of the Reference Bond plus five per cent., all as determined by the Calculation Agent. For the purposes of the definition of Make Whole Redemption Price:

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

“Reference Bond” means the 3.75% German Government bond due 4 January 2019 or if such security is no longer in issue such other German Bundesobligationen with a maturity date as near as possible to the Maturity Date as the Calculation Agent may, with the advice of the Reference Bond Dealers and in consultation with the Issuer, determine to be appropriate by way of substitution for the 3.75% German Government bond due 4 January 2019;

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

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

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

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

“Reference Date” means the date which is three TARGET Business Days prior to the date fixed for redemption pursuant to Condition 8(e) by the Issuer.

PRICING SCHEDULE

relating to
LBG Capital No.2 plc

**GBP Denominated 15.00 per cent. ECNs due 2029
guaranteed on a subordinated basis by
Lloyds TSB Bank Group plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	23
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP100,000 and integral multiples of GBP1,000 in excess thereof up to and including GBP199,000. No notes in definitive form will be issued with a Specified Denomination above GBP199,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	22 January 2029
9	Interest Basis:	15.00 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	15.00 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	21 January and 21 July in each year commencing on 21 January 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	21 January and 21 July in each year

(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable
14	Fixed/Floating Rate ECNs	Not Applicable
PROVISIONS RELATING TO CONVERSION		
15	Conversion Price (subject to adjustment as provided in the Deed Poll)	<i>As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009</i>
PROVISIONS RELATING TO REDEMPTION		
16	Redemption due to Taxation Redemption Price	Par
17	Redemption for Regulatory Purposes Redemption Price:	Make Whole Redemption Price as described in the Annex hereto
GENERAL PROVISIONS APPLICABLE TO THE NOTES		
18	Form of Notes:	Bearer Notes: Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note
19	Financial Centre(s) or other special provisions relating to payment dates:	London
20	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	Yes Definitive Notes (and additional Coupon sheets) issued on a date falling more than 27 Interest Payment Dates prior to (and including) the Maturity Date will bear a Talon. Each Talon shall be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relevant Coupon sheet matures
21	ISIN:	XS0459089685
22	Common Code:	045908968

Annex

“Make Whole Redemption Price” means, in respect of each ECN, (a) the principal amount of such ECN or, if this is higher, (b) the price, expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards), at which the Gross Redemption Yield on the ECN on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at 11.00 a.m. (London time) on the Reference Date of the Reference Bond plus five per cent., all as determined by the Calculation Agent and for the purposes of the definition of Make Whole Redemption Amount:

“Reference Bond” means the 6 per cent. Treasury Stock due 7 December 2028, or if such stock is no longer in issue such other United Kingdom government stock with a maturity date as near as possible to the Maturity Date, as the Calculation Agent may, with the advice of the Reference Market Makers, determine to be appropriate by way of substitution for the 6 per cent. Treasury Stock due 7 December 2028;

“Reference Date” means the date which is three Business Days prior to the date fixed for redemption pursuant to Condition 8(e) by the Issuer;

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

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

PRICING SCHEDULE

relating to
LBG Capital No.2 plc

**GBP Denominated 10.254 per cent. ECNs due 2021
guaranteed on a subordinated basis by
Lloyds TSB Bank plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	24
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP1,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	31 May 2021
9	Interest Basis:	10.254 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	10.254 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	31 May and 30 November in each year commencing on 31 May 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	31 May and 30 November in each year
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** Registered Notes

19 Financial Centre(s) or other special provisions relating to payment dates: London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459089768

22 Common Code: 045908976

PRICING SCHEDULE

relating to
LBG Capital No.1 plc

**GBP Denominated 10.381 per cent. ECNs due 2031
guaranteed on a subordinated basis by
Lloyds Banking Group plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.1 plc
2	Guarantor:	Lloyds Banking Group plc
3	(i) Series Number:	25
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP50,000 and integral multiples of GBP1,000 in excess thereof up to and including GBP99,000. No notes in definitive form will be issued with a specified denomination above GBP99,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	9 December 2031
9	Interest Basis:	10.381 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	10.381 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	9 December in each year commencing on 9 December 2009
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	30/360
	(vi) Determination Dates:	Not Applicable

(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: Not Applicable

13 **Floating Rate Note Provisions** Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** Registered Notes

19 Financial Centre(s) or other special provisions relating to payment dates: London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459089925

22 Common Code: 045908992

PRICING SCHEDULE

relating to
LBG Capital No.1 plc
USD Denominated 9.35 per cent. ECNs due 2021
guaranteed on a subordinated basis by
Lloyds Banking Group plc

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.1 plc
2	Guarantor:	Lloyds Banking Group plc
3	(i) Series Number:	26
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	U.S. Dollars ("USD")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	USD1,000
	(ii) Calculation Amount:	USD1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	23 December 2021
9	Interest Basis:	9.35 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	9.35 per cent. per annum payable quarterly in arrear
	(ii) Interest Payment Date(s):	23 March, 23 June, 23 September and 23 December in each year commencing on 23 December 2009
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	30/360
	(vi) Determination Dates:	Not Applicable
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** Registered Notes

19 Financial Centre(s) or other special provisions relating to payment dates: London and New York

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459090006

22 Common Code: 045909000

PRICING SCHEDULE

relating to
LBG Capital No.2 plc
GBP Denominated 9.125 per cent. ECNs due 2020
guaranteed on a subordinated basis by
Lloyds TSB Bank plc

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	27
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP1,000, GBP10,000 and GBP100,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	15 July 2020
9	Interest Basis:	9.125 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	9.125 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	15 July in each year commencing 15 July 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	30/360
	(vi) Determination Dates:	Not Applicable
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable
14	Fixed/Floating Rate ECNs	Not Applicable

PROVISIONS RELATING TO CONVERSION

- 15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

- 16 **Redemption due to Taxation**
Redemption Price: Par
- 17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note
- 19 Financial Centre(s) or other special provisions relating to payment dates: London
- 20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No
- 21 ISIN: XS0459090188
- 22 Common Code: 045909018

PRICING SCHEDULE

relating to
LBG Capital No.1 plc
EUR Denominated Floating Rate ECNs due 2020
guaranteed on a subordinated basis by
Lloyds Banking Group plc

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.1 plc
2	Guarantor:	Lloyds Banking Group plc
3	(i) Series Number:	28
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Euro ("EUR")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	EUR1,000, EUR10,000 and EUR100,00
	(ii) Calculation Amount:	EUR1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	26 August 2020
9	Interest Basis:	3 month EURIBOR +3.70 per cent. per annum Floating Rate. There will be a short first Interest Period from (and including) the Issue Date to (but excluding) 26 February 2010 for which the Rate of Interest will be set by reference to 3 month EURIBOR determined as at 24 November 2009 +3.70 per cent. per annum.
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Not Applicable
13	Floating Rate Note Provisions	Applicable
	(i) Interest Period(s):	For 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, in each case subject to adjustment in accordance with the Business Day Convention specified below save for the first Interest Period

which shall be the period from (and including) the Issue Date to (but excluding) the First Interest Payment Date subject to adjustment in accordance with the Business Day Convention specified below

- (ii) Interest Payment Dates: 26 February, 26 May, 26 August and 26 November in each year commencing on 26 February 2010, subject to adjustment in accordance with the Business Day Convention specified below
- (iii) First Interest Payment Date: 26 February 2010
- (iv) Interest Period Date: Not Applicable
- (v) Business Day Convention: Modified Following Business Day Convention
- (vi) Business Centre: TARGET
- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Agent): ECN Principal Paying and Conversion Agent
- (viii) Screen Rate Determination:
- Reference Rate: 3 month EURIBOR
 - Interest Determination Date(s): Two TARGET Business Days prior to the start of the relevant Interest Accrual Period
 - Relevant Screen Page: EURIBOR01
- (ix) Margin(s): + 3.70 per cent. per annum
- (x) Minimum Rate of Interest: Not Applicable
- (xi) Maximum Rate of Interest: Not Applicable
- (xii) Day Count Fraction: Actual/360
- (xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note

- | | | |
|----|---|--------------|
| 19 | Financial Centre(s) or other special provisions relating to payment dates: | TARGET |
| 20 | Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): | Yes |
| 21 | ISIN: | XS0459090261 |
| 22 | Common Code: | 045909026 |

PRICING SCHEDULE

relating to
LBG Capital No.1 plc

**JPY Denominated 6.00 per cent. ECNs due 2020
guaranteed on a subordinated basis by
Lloyds Banking Group plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.1 plc
2	Guarantor:	Lloyds Banking Group plc
3	(i) Series Number:	29
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Japanese Yen ("JPY")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	JPY100,000,000
	(ii) Calculation Amount:	JPY100,000,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	28 February 2020
9	Interest Basis:	6.00 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	6.00 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	28 February and 28 August in each year commencing on 28 February 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	30/360
	(vi) Determination Dates:	Not Applicable
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note

19 Financial Centre(s) or other special provisions relating to payment dates: Tokyo and London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459090345

22 Common Code: 045909034

PRICING SCHEDULE

relating to
LBG Capital No.1 plc
EUR Denominated 8.55 per cent. ECNs due 2019
guaranteed on a subordinated basis by
Lloyds Banking Group plc

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.1 plc
2	Guarantor:	Lloyds Banking Group plc
3	(i) Series Number:	30
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Euro ("EUR")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	EUR1,000, EUR10,000 and EUR100,000
	(ii) Calculation Amount:	EUR1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	23 December 2019
9	Interest Basis:	8.55 per cent. Fixed Rate
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	8.55 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	23 November in each year commencing on 23 November 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	23 November in each year
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable
14	Fixed/Floating Rate ECNs	Not Applicable

PROVISIONS RELATING TO CONVERSION

- 15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

- 16 **Redemption due to Taxation**
Redemption Price: Par
- 17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note
- 19 Financial Centre(s) or other special provisions relating to payment dates: TARGET
- 20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No
- 21 ISIN: XS0459090428
- 22 Common Code: 045909042

PRICING SCHEDULE

relating to
LBG Capital No.2 plc

**GBP Denominated 11.125 per cent. ECNs due 2020
guaranteed on a subordinated basis by
Lloyds TSB Bank plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	31
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP1,000, GBP10,000 and GBP100,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	4 November 2020
9	Interest Basis:	11.125 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	11.125 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	4 November in each year commencing on 4 November 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	30/360
	(vi) Determination Dates:	Not Applicable
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note

19 Financial Centre(s) or other special provisions relating to payment dates: London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459090691

22 Common Code: 045909069

PRICING SCHEDULE

relating to
LBG Capital No.1 plc

**EUR Denominated 7.375 per cent. ECNs due 2020
guaranteed on a subordinated basis by
Lloyds Banking Group plc**

The ECNs will be constituted by a Trust Deed (the “Trust Deed”) to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.1 plc
2	Guarantor:	Lloyds Banking Group plc
3	(i) Series Number:	32
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Euro (“EUR”)
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	EUR1,000, EUR10,000 and EUR100,000
	(ii) Calculation Amount:	EUR1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	12 March 2020
9	Interest Basis:	7.375 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	7.375 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	12 March in each year commencing on 12 March 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	12 March in each year
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note

19 Financial Centre(s) or other special provisions relating to payment dates: TARGET

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459090774

22 Common Code: 045909077

PRICING SCHEDULE

relating to
LBG Capital No.1 plc
EUR Denominated Floating Rate ECNs due 2020
guaranteed on a subordinated basis by
Lloyds Banking Group plc

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.1 plc
2	Guarantor:	Lloyds Banking Group plc
3	(i) Series Number:	33
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Euro ("EUR")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	EUR1,000, EUR10,000 and EUR100,000
	(ii) Calculation Amount:	EUR1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	12 March 2020
9	Interest Basis:	3 month EURIBOR +3.1 per cent. per annum Floating Rate. There will be a short first Interest Period from (and including) the Issue Date to (but excluding) 12 December 2009 for which the Rate of Interest will be 3.878 per cent.
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Not Applicable
13	Floating Rate Note Provisions	Applicable
	(i) Interest Period(s):	For 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, in each case subject to adjustment in accordance with the Business day Convention specified below save for the first Interest Period which shall be the period from (and including) the Issue Date to (but excluding) the First Interest

	Payment Date subject to adjustment in accordance with the Business Day Convention specified below
(ii) Interest Payment Dates:	12 March, 12 June, 12 September and 12 December in each year commencing on 12 December 2009, subject to adjustment in accordance with the Business Day Convention specified below
(iii) First Interest Payment Date:	12 December 2009
(iv) Interest Period Date:	Not Applicable
(v) Business Day Convention:	Modified Following Business Day Convention
(vi) Business Centre(s):	TARGET
(vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Agent):	ECN Principal Paying and Conversion Agent
(viii) Screen Rate Determination:	
– Reference Rate:	3 Month EURIBOR
– Interest Determination Date(s):	Two TARGET Business Days prior to the start of the relevant Interest Accrual Period
– Relevant Screen Page:	EURIBOR01
(ix) Margin(s):	+ 3.1 per cent. per annum
(x) Minimum Rate of Interest:	Not Applicable
(xi) Maximum Rate of Interest:	Not Applicable
(xii) Day Count Fraction:	Actual/360
(xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	Not Applicable
14 Fixed/Floating Rate ECNs	Not Applicable

PROVISIONS RELATING TO CONVERSION

15 Conversion Price (subject to adjustment as provided in the Deed Poll)	<i>As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009</i>
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PROVISIONS RELATING TO REDEMPTION

16 Redemption due to Taxation	
Redemption Price:	Par
17 Redemption for Regulatory Purposes	
Redemption Price:	Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 Form of Notes:	Bearer Notes: Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note
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|----|---|--------------|
| 19 | Financial Centre(s) or other special provisions relating to payment dates: | TARGET |
| 20 | Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): | Yes |
| 21 | ISIN: | XS0459090931 |
| 22 | Common Code: | 045909093 |

PRICING SCHEDULE

relating to
LBG Capital No.2 plc

**GBP Denominated 12.75 per cent. ECNs due 2020
guaranteed on a subordinated basis by
Lloyds TSB Bank plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	34
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP10,000 and GBP100,000
	(ii) Calculation Amount:	GBP10,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	10 August 2020
9	Interest Basis:	12.75 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	12.75 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	10 August in each year commencing on 10 August 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	30/360
	(vi) Determination Dates:	Not Applicable
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note

19 Financial Centre(s) or other special provisions relating to payment dates: London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459091079

22 Common Code: 045909107

PRICING SCHEDULE

relating to
LBG Capital No.2 plc

**JPY Denominated 8.07 per cent. ECNs due 2020
guaranteed on a subordinated basis by
Lloyds TSB Bank plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	35
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Japanese Yen ("JPY")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	JPY100,000,000
	(ii) Calculation Amount:	JPY100,000,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	29 September 2020
9	Interest Basis:	8.07 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	8.07 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	29 March and 29 September in each year commencing on 29 March 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	30/360
	(vi) Determination Dates:	Not Applicable
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note

19 Financial Centre(s) or other special provisions relating to payment dates: Tokyo and London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459091152

22 Common Code: 045909115

PRICING SCHEDULE

relating to
LBG Capital No.1 plc

**EUR Denominated 7.625 per cent. ECNs due 2020
guaranteed on a subordinated basis by
Lloyds Banking Group plc**

The ECNs will be constituted by a Trust Deed (the “Trust Deed”) to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.1 plc
2	Guarantor:	Lloyds Banking Group plc
3	(i) Series Number:	36
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Euro (“EUR”)
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	EUR1,000, EUR10,000 and EUR100,000
	(ii) Calculation Amount:	EUR1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	14 October 2020
9	Interest Basis:	7.625 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	7.625 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	14 October in each year commencing on 14 October 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	14 October in each year
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note

19 Financial Centre(s) or other special provisions relating to payment dates: TARGET

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459091236

22 Common Code: 045909123

PRICING SCHEDULE

relating to
LBG Capital No.2 plc
JPY Denominated 6.75 per cent. ECNs due 2020
guaranteed on a subordinated basis by
Lloyds TSB Bank plc

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	37
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Japanese Yen ("JPY")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	JPY100,000,000
	(ii) Calculation Amount:	JPY100,000,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	9 February 2020
9	Interest Basis:	6.75 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	6.75 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	9 February and 9 August in each year commencing on 9 February 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	30/360
	(vi) Determination Dates:	Not Applicable
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note

19 Financial Centre(s) or other special provisions relating to payment dates: New York, London and Tokyo

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459091319

22 Common Code: 045909131

PRICING SCHEDULE

relating to

LBG Capital No.1 plc

GBP Denominated 10.00 per cent. ECNs due 2020

guaranteed on a subordinated basis by

Lloyds Banking Group plc

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.1 plc
2	Guarantor:	Lloyds Banking Group plc
3	(i) Series Number:	38
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP1,000, 10,000 and 100,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	26 May 2020
9	Interest Basis:	10.00 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	10.00 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	26 May in each year commencing on 26 May 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	30/360
	(vi) Determination Dates:	Not Applicable
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable
14	Fixed/Floating Rate ECNs	Not Applicable

PROVISIONS RELATING TO CONVERSION

- 15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

- 16 **Redemption due to Taxation**
Redemption Price: Par
- 17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note
- 19 Financial Centre(s) or other special provisions relating to payment dates: London
- 20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No
- 21 ISIN: XS0459091400
- 22 Common Code: 045909140

PRICING SCHEDULE

relating to
LBG Capital No.2 plc
GBP Denominated 7.625 per cent. ECNs due 2019
guaranteed on a subordinated basis by
Lloyds TSB Bank plc

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	39
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP1,000, GBP10,000 and GBP100,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	9 December 2019
9	Interest Basis:	7.625 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	7.625 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	9 December in each year commencing on 9 December 2009
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	9 December in each year
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note

19 Financial Centre(s) or other special provisions relating to payment dates: London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459091582

22 Common Code: 045909158

PRICING SCHEDULE

relating to
LBG Capital No.2 plc
GBP Denominated 9.00 per cent. ECNs due 2019
guaranteed on a subordinated basis by
Lloyds TSB Bank plc

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	40
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP1,000, GBP10,000 and GBP100,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	15 December 2019
9	Interest Basis:	9.00 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	9.00 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	15 July in each year commencing on 15 July 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	30/360
	(vi) Determination Dates:	Not Applicable
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable
14	Fixed/Floating Rate ECNs	Not Applicable

PROVISIONS RELATING TO CONVERSION

- 15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

- 16 **Redemption due to Taxation**
Redemption Price: Par
- 17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note
- 19 Financial Centre(s) or other special provisions relating to payment dates: London
- 20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No
- 21 ISIN: XS0459091665
- 22 Common Code: 045909166

PRICING SCHEDULE

relating to
LBG Capital No.1 plc

**GBP Denominated 8.125 per cent. ECNs due 2019
guaranteed on a subordinated basis by
Lloyds Banking Group plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or about the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.1 plc
2	Guarantor:	Lloyds Banking Group plc
3	(i) Series Number:	41
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP1,000, GBP10,000 and GBP100,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	15 December 2019
9	Interest Basis:	8.125 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	8.125 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	15 November in each year commencing on 15 November 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	15 November in each year
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note

19 Financial Centre(s) or other special provisions relating to payment dates: London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459091749

22 Common Code: 045909174

PRICING SCHEDULE

relating to
LBG Capital No.2 plc

**GBP Denominated 14.50 per cent. ECNs due 2022
guaranteed on a subordinated basis by
Lloyds TSB Bank plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	42
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP50,000
	(ii) Calculation Amount:	GBP50,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	30 January 2022
9	Interest Basis:	14.50 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	14.50 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	1 March and 1 September in each year commencing on 1 March 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	1 March and 1 September in each year
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14	Fixed/Floating Rate ECNs	Not Applicable
PROVISIONS RELATING TO CONVERSION		
15	Conversion Price (subject to adjustment as provided in the Deed Poll)	<i>As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009</i>
PROVISIONS RELATING TO REDEMPTION		
16	Redemption due to Taxation Redemption Price:	Par
17	Redemption for Regulatory Purposes Redemption Price:	Par
GENERAL PROVISIONS APPLICABLE TO THE NOTES		
18	Form of Notes:	Registered Notes
19	Financial Centre(s) or other special provisions relating to payment dates:	London
20	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	No
21	ISIN:	XS0459091822
22	Common Code:	045909182

PRICING SCHEDULE

relating to
LBG Capital No.1 plc
GBP Denominated 8.25 per cent. ECNs due 2022
guaranteed on a subordinated basis by
Lloyds Banking Group plc

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.1 plc
2	Guarantor:	Lloyds Banking Group plc
3	(i) Series Number:	43
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP1,000, GBP10,000 and GBP100,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	14 April 2022
9	Interest Basis:	8.25 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate(s) of Interest:	8.25 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	14 April in each year commencing on 14 April 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	14 April in each year
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable
14	Fixed/Floating Rate ECNs	Not Applicable

PROVISIONS RELATING TO CONVERSION

- 15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

- 16 **Redemption due to Taxation**
Redemption Price: Par
- 17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note
- 19 Financial Centre(s) or other special provisions relating to payment dates: London
- 20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No
- 21 ISIN: XS0459092044
- 22 Common Code: 045909204

PRICING SCHEDULE

relating to
LBG Capital No.2 plc
GBP Denominated 9.875 per cent. ECNs due 2023
guaranteed on a subordinated basis by
Lloyds TSB Bank plc

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	44
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Price</i>
	(ii) Tranche:	<i>The relevant New Issue Price</i>
6	(i) Specified Denomination:	GBP1,000, GBP10,000 and GBP100,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	10 February 2023
9	Interest Basis:	9.875 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	9.875 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	10 February in each year commencing on 10 February 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	30/360
	(vi) Determination Dates:	Not Applicable
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note

19 Financial Centre(s) or other special provisions relating to payment dates: London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459092127

22 Common Code: 045909212

PRICING SCHEDULE

relating to
LBG Capital No.2 plc

**GBP Denominated 11.25 per cent. ECNs due 2023
guaranteed on a subordinated basis by
Lloyds TSB Bank plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	45
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP50,000
	(ii) Calculation Amount:	GBP50,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	14 September 2023
9	Interest Basis:	11.25 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate(s) of Interest:	11.25 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	1 March and 1 September in each year commencing on 1 March 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	1 March and 1 September in each year
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** Registered Notes

19 Financial Centre(s) or other special provisions relating to payment dates: London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459092390

22 Common Code: 045909239

PRICING SCHEDULE

relating to
LBG Capital No.2 plc

**GBP Denominated 10.50 per cent. ECNs due 2023
guaranteed on a subordinated basis by
Lloyds TSB Bank plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	46
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Price</i>
	(ii) Tranche:	<i>The relevant New Issue Price</i>
6	(i) Specified Denomination:	GBP1,000, GBP10,000 and GBP100,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	29 September 2023
9	Interest Basis:	10.50 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	10.50 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	29 September in each year commencing on 29 September 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	30/360
	(vi) Determination Dates:	Not Applicable
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note

19 Financial Centre(s) or other special provisions relating to payment dates: London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459092473

22 Common Code: 045909247

PRICING SCHEDULE

relating to
LBG Capital No.2 plc
GBP Denominated 11.875 per cent. ECNs due 2024
guaranteed on a subordinated basis by
Lloyds TSB Bank plc

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	47
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Price</i>
	(ii) Tranche:	<i>The relevant New Issue Price</i>
6	(i) Specified Denomination:	GBP1,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	1 September 2024
9	Interest Basis:	11.875 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	11.875 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	1 March and 1 September in each year commencing on 1 March 2010
	(iii) Fixed Coupon Amount(s):	To be calculated according to Condition 6(f)
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA) for the regular semi annual Interest Period with Interest Payment Dates as above. For any other period including the Broken Amount Interest Period the Day Count Fraction is Actual/365 (Fixed)
	(vi) Determination Dates:	1 March and 1 September in each year (applicable to Actual/Actual (ICMA) calculations only)

(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13 Floating Rate Note Provisions	Not Applicable
14 Fixed/Floating Rate ECNs	Not Applicable
PROVISIONS RELATING TO CONVERSION	
15 Conversion Price (subject to adjustment as provided in the Deed Poll)	<i>As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009</i>
PROVISIONS RELATING TO REDEMPTION	
16 Redemption due to Taxation Redemption Price:	Par
17 Redemption for Regulatory Purposes Redemption Price:	Par
GENERAL PROVISIONS APPLICABLE TO THE NOTES	
18 Form of Notes:	Registered Notes
19 Financial Centre(s) or other special provisions relating to payment dates:	London
20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	No
21 ISIN:	XS0459092556
22 Common Code:	045909255

PRICING SCHEDULE

relating to
LBG Capital No.1 plc

**GBP Denominated 8.25 per cent. ECNs due 2025
guaranteed on a subordinated basis by
Lloyds Banking Group plc**

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.1 plc
2	Guarantor:	Lloyds Banking Group plc
3	(i) Series Number:	48
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP1,000, GBP10,000 and, GBP100,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	28 November 2025
9	Interest Basis:	8.25 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	8.25 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	28 November in each year commencing on 28 November 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	28 November in each year
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note

19 Financial Centre(s) or other special provisions relating to payment dates: London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459092630

22 Common Code: 045909263

PRICING SCHEDULE

relating to
LBG Capital No.2 plc
GBP Denominated 9.00 per cent. ECNs due 2029
guaranteed on a subordinated basis by
Lloyds TSB Bank plc

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	49
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP1,000, GBP10,000 and GBP100,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	15 July 2029
9	Interest Basis:	9.00 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate(s) of Interest:	9.00 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	15 July in each year commencing on 15 July 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	30/360
	(vi) Determination Dates:	Not Applicable
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable
14	Fixed/Floating Rate ECNs	Not Applicable

PROVISIONS RELATING TO CONVERSION

- 15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

- 16 **Redemption due to Taxation**
Redemption Price: Par
- 17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note
- 19 Financial Centre(s) or other special provisions relating to payment dates: London
- 20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No
- 21 ISIN: XS0459092804
- 22 Common Code: 045909280

PRICING SCHEDULE

relating to
LBG Capital No.2 plc
GBP Denominated 8.50 per cent. ECNs due 2032
guaranteed on a subordinated basis by
Lloyds TSB Bank plc

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	50
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP1,000, GBP10,000 and GBP100,000
	(ii) Calculation Amount:	GBP1,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	7 June 2032
9	Interest Basis:	8.50 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	8.50 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	7 June in each year commencing on 7 June 2010
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	7 June in each year
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable
14	Fixed/Floating Rate ECNs	Not Applicable

PROVISIONS RELATING TO CONVERSION

- 15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

- 16 **Redemption due to Taxation**
Redemption Price: Par
- 17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 18 **Form of Notes:** **Bearer Notes:**
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Note in the limited circumstances specified in the Permanent Global Note
- 19 Financial Centre(s) or other special provisions relating to payment dates: London
- 20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No
- 21 ISIN: XS0459092986
- 22 Common Code: 045909298

PRICING SCHEDULE

relating to
LBG Capital No.2 plc
GBP Denominated 14.25 per cent. ECNs due 2024
guaranteed on a subordinated basis by
Lloyds TSB Bank plc

The ECNs will be constituted by a Trust Deed (the "Trust Deed") to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	51
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling ("GBP")
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP50,000
	(ii) Calculation Amount:	GBP50,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	28 October 2024
9	Interest Basis:	14.25 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate of Interest:	14.25 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	28 April and 28 October in each year commencing on 28 April 2010
	(iii) Fixed Coupon Amount(s):	To be calculated according to Condition 6(f)
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA) for the regular semi annual Interest Period with Interest Payment Dates as above. For any other period including the Broken Amount Interest Period the Day Count Fraction is Actual/365 (Fixed)
	(vi) Determination Dates:	28 April and 28 October in each year (applicable to Actual/Actual (ICMA) calculations only)

(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: Not Applicable

13 **Floating Rate Note Provisions** Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** Registered Notes

19 Financial Centre(s) or other special provisions relating to payment dates: London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459093109

22 Common Code: 045909310

PRICING SCHEDULE

relating to
LBG Capital No.2 plc

**GBP Denominated 16.125 per cent. ECNs due 2024
guaranteed on a subordinated basis by
Lloyds TSB Bank plc**

The ECNs will be constituted by a Trust Deed (the “Trust Deed”) to be dated on or around the Early Settlement Date between, among others, the Issuer, Lloyds TSB Bank plc, Lloyds Banking Group plc and BNY Corporate Trustee Services Limited. The terms and conditions of the ECNs are as set out in Schedule 4 to the Trust Deed as supplemented by this Pricing Schedule.

In relation to the ECNs, this Pricing Schedule is the Pricing Schedule referred to in Schedule 5 to the Trust Deed.

1	Issuer:	LBG Capital No.2 plc
2	Guarantor:	Lloyds TSB Bank plc
3	(i) Series Number:	52
	(ii) Tranche Number:	1
4	Specified Currency or Currencies:	Pounds Sterling (“GBP”)
5	Aggregate Nominal Amount:	
	(i) Series:	<i>The relevant New Issue Amount</i>
	(ii) Tranche:	<i>The relevant New Issue Amount</i>
6	(i) Specified Denomination:	GBP50,000
	(ii) Calculation Amount:	GBP50,000
7	(i) Issue Date:	Early Settlement Date
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	10 December 2024
9	Interest Basis:	16.125 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	At Maturity Date: 100 per cent. of principal amount
11	Change of Interest or Payment Basis:	Not Applicable

PROVISIONS RELATING TO INTEREST PAYABLE

12	Fixed Rate Note Provisions	Applicable
	(i) Fixed Rate(s) of Interest:	16.125 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	10 June and 10 December in each year commencing on 10 December 2009
	(iii) Fixed Coupon Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(iv) Broken Amount(s):	<i>To be calculated according to Condition 6(f)</i>
	(v) Day Count Fraction:	Actual/Actual (ICMA)
	(vi) Determination Dates:	10 June and 10 December in each year
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
13	Floating Rate Note Provisions	Not Applicable

14 **Fixed/Floating Rate ECNs** Not Applicable

PROVISIONS RELATING TO CONVERSION

15 **Conversion Price** *As defined in the Exchange Offer Memorandum and to be announced by Lloyds Banking Group plc on 27 November 2009*
(subject to adjustment as provided in the Deed Poll)

PROVISIONS RELATING TO REDEMPTION

16 **Redemption due to Taxation**
Redemption Price: Par

17 **Redemption for Regulatory Purposes**
Redemption Price: Par

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18 **Form of Notes:** Registered Notes

19 Financial Centre(s) or other special provisions relating to payment dates: London

20 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): No

21 ISIN: XS0459093281

22 Common Code: 045909328

APPENDIX 7

SUMMARY OF PROVISIONS RELATING TO THE ECNs WHILE IN GLOBAL FORM

Initial Issue of ECNs

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

Exchange

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 5 below) in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Note for interests in a Permanent Global Note.

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 in part for Definitive Notes only 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 ECN Trustee is available.

3 Global Certificates

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

3.1 if such ECNs are held on behalf of Euroclear or Clearstream, Luxembourg or any other permitted clearing system (“Alternative Clearing System”) (other than DTC) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearance system satisfactory to the ECN Trustee is available; or

3.2 with the consent of the relevant ECN Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to 3.1 or 3.2 above, the registered holder has given the ECN Registrar not less than 30 days’ notice at its specified office of the registered holder’s intention to effect such transfer.

4 Delivery of ECNs

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

each Permanent Global Note, the relevant ECN Issuer will, if the Holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

5 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 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 ECN Principal Paying and Conversion Agent is located and in the city in which the relevant clearing system is located.

6 Amendment to ECN Conditions

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

6.1 Payments

No payment falling due after the Exchange Date will be made on any Temporary Global Note unless exchange for an interest in a Permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any Temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Note. All payments in respect of Global Notes or Global Certificates will be made in accordance with the methods of calculation provided for in the ECN Conditions, save that the calculation will be made in respect of the total aggregate principal amount of the ECNs represented by such Global Note or Global Certificate, together with such other sums and additional amounts (if any) payable under the ECN Conditions, in accordance with the ECN Conditions. All payments in respect of ECNs represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the ECNs, surrender of that Global Note to or to the order of the ECN Principal Paying and Conversion Agent or such other paying agent as shall have been notified to the Holders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the ECNs. Condition 9(e) and Condition 10(f) will apply to Definitive Notes only.

6.2 Prescription

Claims against the relevant ECN Issuer in respect of ECNs that are represented by a Permanent Global Note will become void unless it is presented for payment within a period of 12 years (in the case of principal) and six years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 19).

6.3 Meetings

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

6.4 Cancellation

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

6.5 Purchase

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

6.6 ECN Trustee's Powers

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

6.7 Notices

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

6.8 Conversion

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

APPENDIX 8

RECENT PRICES OF EXISTING SECURITIES

Set out below, for information purposes only, are the average market prices for the Existing Securities based on data as reported by each of the Dealer Managers as at 2 November 2009 (where available):

<i>ISIN</i>	<i>Title of Existing Securities</i>	<i>Recent price (as % of par¹)</i>
Existing Preference Shares		
XS0408828803	Lloyds Banking Group plc	63
GB00B3KSB675	£745,431,000 6.0884% Non-Cumulative Fixed to Floating Rate Preference Shares	
XS0408826427	Lloyds Banking Group plc	63
	£334,951,000 6.3673% Non-Cumulative Fixed to Floating Rate Preference Shares	
GB00B3KSB568	Lloyds Banking Group plc	61
	£186,190,532 6.475% Non-Cumulative Preference Shares	
GB00B3KS9W93	Lloyds Banking Group plc	84
	£299,987,729 9.25% Non-Cumulative Irredeemable Preference Shares	
GB00B3KSB238	Lloyds Banking Group plc	88
	£99,999,942 9.75% Non-Cumulative Irredeemable Preference Shares	
XS0406095637	Lloyds Banking Group plc	65
	€500,000,000 7.875% Non-Cumulative Preference Shares	
XS0406095041	Lloyds Banking Group plc	65
	U.S.\$1,250,000,000 7.875% Non-Cumulative Preference Shares	
XS0265483064	Saphir Finance Public Limited Company	59
	£600,000,000 6.369% Perpetual Non-Cumulative Securities	
Existing Capital Securities		
XS0156372343	Lloyds TSB Bank plc	77
	U.S.\$1,000,000,000 6.90% Perpetual Capital Securities	
XS0109138536	Bank of Scotland Capital Funding L.P.	71
(Reg S)	£250,000,000 8.117% Non-cumulative Perpetual Preferred Securities, Class A	
XS0109138882		
(144A)		
GB0058322420	HBOS Euro Finance (Jersey) L.P.	72
	€415,000,000 7.627% Fixed to Floating Rate Guaranteed Non-Voting Non-Cumulative Preferred Securities	
XS0107222258	Lloyds TSB Capital 1 L.P.	86
	€430,000,000 7.375% Step-up Non-Voting Non-Cumulative Preferred Securities	
XS0156923913	Lloyds TSB Bank plc	74
	€500,000,000 6.35% Step-up Perpetual Capital Securities	
XS0107228024	Lloyds TSB Bank Capital 2 L.P.	79
	£250,000,000 7.834% Sterling Step-up Non-voting Non-cumulative Preferred Securities	
XS0255242769	HBOS Capital Funding No.3 L.P.	63
	€750,000,000 4.939% Fixed-to-Floating Rate Non-voting Non-cumulative Perpetual Preferred Securities	
XS0125681345	Bank of Scotland plc	71

¹ The market prices provided are indicative only based on averaged historic data provided by the Dealer Managers, and should not be taken to be trading prices offered by any person at any time or as indicative of future market prices.

<i>ISIN</i>	<i>Title of Existing Securities</i>	<i>Recent price (as % of par)¹</i>
	£150,000,000 7.286% Series A Perpetual Regulatory tier One Securities	
XS0125686229	Bank of Scotland plc	70
	£150,000,000 7.281% Series B Perpetual Regulatory tier One Securities	
XS0218638236	Lloyds TSB Bank plc	64
	€750,000,000 4.385% Step-up Perpetual Capital Securities	
XS0353590366	HBOS Capital Funding No.4 L.P.	75
	£750,000,000 9.54% Fixed-to-Floating Rate Non-Voting Non-cumulative Perpetual Preferred Securities	
XS0139175821	HBOS Capital Funding L.P.	69
	£600,000,000 6.461% Guaranteed Non-Voting Non-cumulative Perpetual Preferred Securities Series A	
XS0408620135	Lloyds TSB Bank plc	107
	£784,611,000 13.00% Step-up Perpetual Capital Securities	
XS0408623311	Lloyds TSB Bank plc	110
	€532,111,000 13.00% Euro Step-up Perpetual Capital Securities	
XS0408620721	Lloyds TSB Bank plc	109
	£700,022,000 13.00% Sterling Step-up Perpetual Capital Securities	
XS0109139344	Bank of Scotland Capital Funding L.P.	69
(Reg S)	£150,000,000 7.754% Non-cumulative Perpetual Preferred Securities, Class B	
XS0109139427		
(144A)		
GB0058327924	HBOS Sterling Finance (Jersey) L.P.	74
	€245,000,000 7.881% Guaranteed Non-voting Non-cumulative Preferred Securities	
XS0165483164	HBOS Capital Funding No.1 L.P.	
	U.S.\$1,000,000,000 6.85% Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities	65
Existing Notes		
XS0099508698	Lloyds TSB Bank plc	78
	£410,000,000 6.625% Undated Subordinated Step-up Notes	
XS0111627112	HBOS plc	67
	€300,000,000 Floating Rate Undated Subordinated Step-up Notes	
XS0125599687	HBOS plc	70
	¥42,500,000,000 3.50% Undated Subordinated Step-up Notes	
XS0138988042	HBOS plc	76
	€500,000,000 6.05% Fixed to Floating Rate Undated Subordinated Notes	
XS0046690961	Bank of Scotland plc	74
	£200,000,000 8.625% Perpetual Subordinated Notes	
XS0188201536	HBOS plc	66
	€750,000,000 4.875% Undated Subordinated Fixed to Floating Rate Instruments	
XS0188201619	HBOS plc	58
	€500,000,000 Floating Rate Undated Subordinated Instruments	
XS0059171230	Bank of Scotland plc	81
	£100,000,000 10.25% Subordinated Undated Instruments	
XS0056390007	Lloyds TSB Bank plc	70
	¥20,000,000,000 Undated Subordinated 5.57% Step-up Coupon Notes	
XS0177955381	HBOS plc	66
	€750,000,000 5.125% Undated Subordinated Fixed to Floating Rate Notes	
XS0063730203	Bank of Scotland plc	70

<i>ISIN</i>	<i>Title of Existing Securities</i>	<i>Recent price (as % of par)¹</i>
XS0111599311	¥17,000,000,000 4.25% Subordinated Undated Instruments HBOS plc	66
XS0169667119	£300,000,000 7.50% Undated Subordinated Step-up Notes Lloyds TSB Bank plc	70
XS0099507534	£500,000,000 5.125% Upper Tier 2 Callable Perpetual Subordinated Notes Lloyds TSB Bank plc	70
XS0205326290	£270,000,000 6.50% Undated Subordinated Step-up Notes HBOS plc	66
GB0000395094	£500,000,000 5.625% Cumulative Callable Fixed to Floating Rate Undated Subordinated Notes Bank of Scotland plc	93
XS0166717388	£100,000,000 12.00% Perpetual Subordinated Bonds HBOS plc	64
XS0083932144	£600,000,000 5.75% Undated Subordinated Step-up Notes Bank of Scotland plc	67
GB0000395102	£150,000,000 7.375% Subordinated Undated Instruments Bank of Scotland plc	76
XS0079927850	£100,000,000 8.750% Perpetual Subordinated Bonds Lloyds TSB Bank plc	77
GB0005242879	£200,000,000 8% Undated Subordinated Step-up Notes Bank of Scotland plc	80
XS0158313758	£50,000,000 9.375% Perpetual Subordinated Bonds HBOS plc	64
XS0099507963	£500,000,000 5.75% Undated Subordinated Step-up Notes Lloyds TSB Bank plc	72
XS0145407507	£450,000,000 6.5% Undated Subordinated Step-up Notes Lloyds Banking Group plc	72
GB0001905362	£500,000,000 6.00% Undated Subordinated Guaranteed Bonds Lloyds TSB Bank plc	93
GB0000394915	£100,000,000 11.75% Perpetual Subordinated Bonds Bank of Scotland plc	104
	£75,000,000 13.625% Perpetual Subordinated Bonds	

APPENDIX 9

RELEVANT SUBJECT SECURITIES

The table below sets out the Relevant Subject Securities referred to in paragraph 2.6 of Part II (“Risk Factors”) of this document being those securities on which the Group currently has – or will within a contractually defined period have – no obligation (by reason of the terms of either those or other securities) to make payments of coupons or dividends.

The Company believes that the relevant scheduled coupon or dividend payment dates that will be subject to the commitment to the European Commission not to make payments of dividends or coupons will be those falling within the period commencing 31 January 2010, being the “Affected Period” as referred to in paragraph 2.6 of Part II (“Risk Factors”) of this document.

As shown in the third column of the table below, coupons or dividends on certain of the Relevant Subject Securities are expected to be paid during the Affected Period until the relevant issuer no longer has an obligation to make such payments.

The Holders of securities not listed below should note that payments of coupons and dividends will only be made subject to the terms of those securities and of other relevant parity or senior securities of the Group. Statutory and contractual restrictions on the payment of coupons and dividends may also apply to those securities. For example, certain securities contain restrictions relating to (i) the sufficiency of the relevant issuer’s distributable reserves (or adjusted distributable reserves) or those of a guarantor or (ii) a breach of the FSA’s capital adequacy requirements at the time of, or as a result of the payment of, such coupons or dividends. Holders are advised to review the terms and conditions of such securities.

<i>ISIN</i>	<i>Title of Relevant Subject Securities</i>	<i>Number of coupon or dividend payments expected to be made in relation to each Relevant Subject Security during the Affected Period*</i>
Relevant Existing Preference Shares		
XS0408828803	Lloyds Banking Group plc	—
GB00B3KSB675	£745,431,000 6.0884% Non-Cumulative Fixed to Floating Rate Preference Shares	—
XS0408826427	Lloyds Banking Group plc	—
	£334,951,000 6.3673% Non-Cumulative Fixed to Floating Rate Preference Shares	—
GB00B3KSB568	Lloyds Banking Group plc	—
	£186,190,532 6.475% Non-Cumulative Preference Shares	—
GB00B3KS9W93	Lloyds Banking Group plc	—
	£299,987,729 9.25% Non-Cumulative Irredeemable Preference Shares	—
GB00B3KSB238	Lloyds Banking Group plc	—
	£99,999,942 9.75% Non-Cumulative Irredeemable Preference Shares	—
XS0406095637	Lloyds Banking Group plc	—
	€500,000,000 7.875% Non-Cumulative Preference Shares	—
XS0406095041	Lloyds Banking Group plc	—
	U.S.\$1,250,000,000 7.875% Non-Cumulative Preference Shares	—
USG5533WAB30	Lloyds Banking Group plc	—
	U.S.\$750,000,000 5.92% Series B Fixed to Floating Rate Non-Cumulative Preference Shares	—
USG5533WAA56	Lloyds Banking Group plc	—

* Note: Subject to the availability of distributable reserves and to the issuer or the Group not being in breach of FSA capital adequacy requirements, where applicable.

<i>ISIN</i>	<i>Title of Relevant Subject Securities</i>	<i>Number of coupon or dividend payments expected to be made in relation to each Relevant Subject Security during the Affected Period*</i>
	U.S.\$750,000,000 6.413% Series A Fixed to Floating Rate Non-Cumulative Preference Shares	
US539439AB54	Lloyds Banking Group plc U.S.\$1,000,000,000 6.267% American Depositary Shares representing 1,000,000 Fixed to Floating Rate Non-Cumulative Preference Shares	—
US539439AE93	Lloyds Banking Group plc U.S.\$750,000,000 6.657% Fixed to Floating Rate Non-Cumulative Preference Shares	—
XS0265483064	Saphir Finance Public Limited Company £600,000,000 6.369% Perpetual Non-Cumulative Securities (Lloyds Banking Group plc £600,000,000 6.369% Preference Shares (GB00B1BQH919))	—
<i>Relevant Existing Capital Securities</i>		
XS0107222258	Lloyds TSB Capital 1 L.P. €430,000,000 7.375% Step-up Non-Voting Non-Cumulative Preferred Securities (annual coupon)	1
XS0107228024	Lloyds TSB Bank Capital 2 L.P. £250,000,000 7.834% Sterling Step-up Non-voting Non-cumulative Preferred Securities (annual coupon)	1
XS0255242769	HBOS Capital Funding No.3 L.P. €750,000,000 4.939% Fixed-to-Floating Rate Non-voting Non-cumulative Perpetual Preferred Securities	—
XS0218638236	Lloyds TSB Bank plc €750,000,000 4.385% Step-up Perpetual Capital Securities	—
XS0353590366	HBOS Capital Funding No.4 L.P. £750,000,000 9.54% Fixed-to-Floating Rate Non-Voting Non-cumulative Perpetual Preferred Securities	—
XS0408620135	Lloyds TSB Bank plc £784,611,000 13.00% Step-up Perpetual Capital Securities	—
XS0408623311	Lloyds TSB Bank plc €532,111,000 13.00% Euro Step-up Perpetual Capital Securities	—
XS0408620721	Lloyds TSB Bank plc £700,022,000 13.00% Sterling Step-up Perpetual Capital Securities	—
<i>Relevant Existing Notes</i>		
GB0000765403	Bank of Scotland plc U.S.\$250,000,000 Undated Floating Rate Primary Capital Notes	—
US4041A2AG96 (144A)	HBOS plc U.S.\$1,000,000,000 5.375% Undated Fixed to Floating Rate Subordinated Notes (semi-annual coupon)	1
US4041A3AF96 (Reg S)		
GB0005224307	Lloyds TSB Bank plc U.S.\$750,000,000 Primary Capital Undated Floating Rate Notes (Series 1) (semi-annual coupon)	1

* Note: Subject to the availability of distributable reserves and to the issuer or the Group not being in breach of FSA capital adequacy requirements, where applicable.

<i>ISIN</i>	<i>Title of Relevant Subject Securities</i>	<i>Number of coupon or dividend payments expected to be made in relation to each Relevant Subject Security during the Affected Period*</i>
GB0005205751	Lloyds TSB Bank plc U.S.\$500,000,000 Primary Capital Undated Floating Rate Notes (Series 2) (quarterly coupon)	2
GB0005232391	Lloyds TSB Bank plc U.S.\$600,000,000 Primary Capital Undated Floating Rate Notes (semi-annual coupon)	1
XS0099508698	Lloyds TSB Bank plc £410,000,000 6.625% Undated Subordinated Step-up Notes	—
XS0046690961	Bank of Scotland plc £200,000,000 8.625% Perpetual Subordinated Notes	—
XS0188201536	HBOS plc €750,000,000 4.875% Undated Subordinated Fixed to Floating Rate Instruments (annual coupon)	1
XS0188201619	HBOS plc €500,000,000 Floating Rate Undated Subordinated Instruments (quarterly coupon)	3
XS0059171230	Bank of Scotland plc £100,000,000 10.25% Subordinated Undated Instruments (annual coupon)	1
XS0056390007	Lloyds TSB Bank plc ¥20,000,000,000 Undated Subordinated 5.57% Step-up Coupon Notes (semi-annual coupon)	1
XS0177955381	HBOS plc €750,000,000 5.125% Undated Subordinated Fixed to Floating Rate Notes	—
XS0063730203	Bank of Scotland plc ¥17,000,000,000 4.25% Subordinated Undated Instruments (semi-annual coupon)	2
XS0169667119	Lloyds TSB Bank plc £500,000,000 5.125% Upper Tier 2 Callable Perpetual Subordinated Notes	—
XS0099507534	Lloyds TSB Bank plc £270,000,000 6.50% Undated Subordinated Step-up Notes	—
XS0205326290	HBOS plc £500,000,000 5.625% Cumulative Callable Fixed to Floating Rate Undated Subordinated Notes	—
GB0000395094	Bank of Scotland plc £100,000,000 12.00% Perpetual Subordinated Bonds (semi-annual coupon)	1
XS0083932144	Bank of Scotland plc £150,000,000 7.375% Subordinated Undated Instruments (annual coupon)	1
GB0000395102	Bank of Scotland plc £100,000,000 8.750% Perpetual Subordinated Bonds (semi-annual coupon)	1
XS0079927850	Lloyds TSB Bank plc £200,000,000 8% Undated Subordinated Step-up Notes	—

* Note: Subject to the availability of distributable reserves and to the issuer or the Group not being in breach of FSA capital adequacy requirements, where applicable.

<i>ISIN</i>	<i>Title of Relevant Subject Securities</i>	<i>Number of coupon or dividend payments expected to be made in relation to each Relevant Subject Security during the Affected Period*</i>
GB0005242879	Bank of Scotland plc £50,000,000 9.375% Perpetual Subordinated Bonds (semi-annual coupon)	1
XS0099507963	Lloyds TSB Bank plc £450,000,000 6.50% Undated Subordinated Step-up Notes	—
XS0145407507	Lloyds Banking Group plc £500,000,000 6.00% Undated Subordinated Guaranteed Bonds	—
GB0000394915	Bank of Scotland plc £75,000,000 13.625% Perpetual Subordinated Bonds	—

* Note: Subject to the availability of distributable reserves and to the issuer or the Group not being in breach of FSA capital adequacy requirements, where applicable.

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