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### Lloyds TSB 12% Preference Shares and the New HM Treasury Preference Shares

Lloyds TSB

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## **Lloyds TSB 12% Preference Shares and the New HM Treasury Preference Shares**

*Capitalised terms used in this overview of the Lloyds TSB 12% Preference Shares and the New HM Treasury Preference Shares have the same meanings as set out in Part IV (“Description of the Preference Shares – Description of the Lloyds TSB 12% Preference Shares and New HM Treasury Preference Shares”) below.*

**Issuer of the Preference Shares** Lloyds TSB Group plc.

**The Preference Shares** In respect of the Lloyds TSB 12% Preference Shares: £3,000,000,000 Preference Shares of the Company, each with a nominal value of £0.25.

In respect of the New HM Treasury Preference Shares: £1,000,000,000 Preference Shares of the Company, each with a nominal value of £0.25.

**Liquidation Preference** £1,000 per Preference Share.

**Preference Share Dividends** Non-cumulative preferential dividends will accrue on the Preference Shares at a rate of 12 per cent. per annum on a liquidation preference of £1,000 per Preference Share from (and including) the Issue Date to (but excluding) [●] 2013 [*the day falling five years and one day after the Issue Date*] (the “First Call Date”), and will be payable semi-annually in equal instalments in arrear on [●] and [●] [*the corresponding dates falling in the sixth and twelfth month in each year following the Issue Date*] in each year (save that the tenth Dividend Payment Date shall fall on the First Call Date).

From (and including) the First Call Date, non-cumulative preferential dividends will accrue on the Preference Shares at a rate, reset quarterly, of 7 per cent. per annum above the London interbank offered rate for three-month sterling deposits, and will be payable quarterly in arrear on, subject (where applicable) to adjustment in accordance with the Modified Following Business Day Convention, [●], [●], [●] and [●] [*the corresponding dates falling in the third, sixth, ninth and twelfth month in each year following the First Call Date*] in each year.

Dividends are payable at the discretion of the Board of Directors or the Committee. Dividends will be paid only to the extent that payment of the same can be made out of profits of the Company available for distribution and permitted by law to be distributed as at each Dividend Payment Date. The Board of Directors or the Committee may in its discretion decide that a dividend will not be declared at all or will be declared only in part even when distributable profits are available for distribution.

Notwithstanding the Board of Directors’ discretion to forego dividends as described above, dividends on the Preference Shares will be mandatorily payable on each Dividend Payment Date upon which (i) a Capital Disqualification Event has occurred and (ii) the Company is in compliance with its Applicable Regulatory Capital Requirements, subject always to the existence of sufficient distributable profits.

If the Board of Directors or the Committee decides not to declare a dividend payable on a Dividend Payment Date or declares that it shall be payable only in part, then the rights of holders of the Preference Shares to receive the dividend in respect of the preceding Dividend Period will be lost either entirely or as to the part not declared, as applicable, and the Company will have no obligation in respect of the amount of dividend not declared either

to pay the dividend accrued for such period or to pay interest thereon, whether or not dividends on the Preference Shares are declared for any future Dividend Period.

Holders of the Preference Shares will rank as regards participation in the profits of the Company in priority to the payment of any dividend to the holders of any class of shares in the capital of the Company ranking junior to the Preference Shares and in such regard *pari passu* with the holders of any class of shares in issue or which may be issued which are expressed to rank equally with the Preference Shares in the capital of the Company and other Parity Securities.

#### **Dividend Restriction**

If the Company has not declared or paid in full a dividend stated to be payable on the Preference Shares as a result only of the exercise of the discretion of the Board of Directors or the Committee, then the Company shall not during the Stopper Period: (a) redeem, purchase, cancel, reduce or otherwise acquire in any other way any Parity Securities, Junior Share Capital or the 2004 Preference Shares, or (b) declare, or pay or set aside any sum for payment of any distribution or dividend or make any other payment on, and will procure that no distribution, dividend or other payment is made, on any Parity Securities (subject to certain exceptions), Junior Share Capital or the 2004 Preference Shares.

Until the date on which the Preference Shares are redeemed or repurchased in full, the Company shall not: (a) declare or pay any dividend or make any distribution (whether cash or otherwise) on or in respect of the ordinary shares of the Company or set aside any sum to provide for payment of any such dividend or distribution (save that the foregoing restriction shall not apply to a capitalisation issue pursuant to which newly issued bonus shares are paid up out of undistributable reserves); or (b) redeem, purchase, cancel or otherwise acquire in any way any ordinary shares of the Company or effect a reduction of the ordinary share capital of the Company which involves a distribution to holders of ordinary shares.

#### **Redemption**

The Preference Shares are perpetual securities and have no maturity date. However, all or some only of the Preference Shares are redeemable, at the option of the Company, subject to confirmation from the FSA that it has no objection to the redemption (if required) and upon the Company giving not less than 30 nor more than 60 days notice to the holders of the Preference Shares to be redeemed, on the First Call Date or any Dividend Payment Date thereafter at the Redemption Price per Preference Share.

In the event that fewer than all the outstanding Preference Shares are to be redeemed, the Preference Shares to be redeemed will be selected by the Company by means of a draw.

#### **Rights upon Liquidation**

On a return of capital or distribution of assets, whether or not on a winding-up (but other than a redemption or purchase by the Company of any of its share capital permitted by its Articles and under applicable law), holders of Preference Shares will rank in the application of the assets of the Company available to shareholders: (1) equally in all respects with holders of the most senior class of preference shares and any other class of shares of the Company in issue or which may be issued by the

Company which are expressed to rank equally with the Preference Shares and (2) in priority to the holders of any other share capital of the Company (including the Junior Share Capital).

Subject to such ranking, in such event holders of the Preference Shares will be entitled to receive out of the surplus assets of the Company remaining after payment of the Company's prior-ranking liabilities a sum equal to the aggregate of: (1) £1,000 per Preference Share, (2) the amount of any dividend which is due for payment on the Preference Shares on or after the date of commencement of the winding-up or other return of capital but which is payable in respect of a period ending on or before such date and (3) the proportion of any dividend (whether or not declared or earned) that would otherwise be payable and is not otherwise paid in respect of any period that begins before, but ends after, the date of commencement of the winding-up or other return of capital and which is attributable to the part of the period that ends on such date.

#### **Voting Rights**

Holders of Preference Shares will only be entitled to receive notice of and to attend any general meeting of shareholders of the Company and to speak or vote upon any resolution proposed at such meeting if a resolution is proposed either varying or abrogating any of the rights and restrictions attached to the Preference Shares or to wind-up, or in relation to the winding-up of, the Company (and then in each case only to speak and vote upon any such resolution) subject to the terms and conditions (including where dividends have not been paid on the previous Dividend Payment Date) as described in Part IV ("Description of the Preference Shares – Description of the Lloyds TSB 12% Preference Shares and the New HM Treasury Preference Shares – 9. Voting").

#### **Variation of Rights**

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

The written consent of the holders of 75 per cent. in nominal value of the outstanding Preference Shares or the sanction of an extraordinary resolution passed at a separate class meeting of holders of the outstanding Preference Shares will be required if the Board of Directors proposes to authorise, create or increase the amount of any shares of any class or any security convertible into shares of any class ranking as regards rights to participate in the Company's profits or assets, in priority to the Preference Shares.

If the Company has paid the most recent dividend payable on the Preference Shares in full, the rights attached to the Preference Shares will not be deemed to be varied by the creation or issue of any further non-cumulative preference shares or of any other further shares ranking equally as regards participation in the

Company's profits or assets with, or junior to, the Preference Shares, whether carrying identical rights or different rights in any respect, including as to dividend, premium on a return of capital, redemption or conversion whether denominated in sterling or any other currency.

**Form**

The Preference Shares will be issued in either certificated form or uncertificated form in CREST.

**Initial Yield**

12 per cent. per annum, payable semi-annually.

**Listing**

London Stock Exchange.

**Governing Law**

Laws of Scotland.

**Registrar and Paying Agent**

The Company's company secretarial department will maintain the register and the Company will act as Registrar and Paying Agent.