



Lloyds TSB

LLOYDS TSB BANK plc

(formerly Lloyds Bank Plc)

(Incorporated in England with limited liability

under the Companies Act 1862

and the Companies Act 1985 with registered number 2065)

£100,000,000 **9⁵/₈ per cent. Subordinated Bonds due 2023**

The £100,000,000 9⁵/₈ per cent. Subordinated Bonds due 2023 comprises £75,000,000 9⁵/₈ per cent. Subordinated Bonds due 2023 (the "A Bonds") and £25,000,000 9⁵/₈ per cent. Subordinated Bonds due 2023 (the "B Bonds") and, together with the A Bonds, the "Bonds") of Lloyds TSB Bank plc (formerly Lloyds Bank Plc) (the "Bank").

The issue price of the A Bonds is 142.784 per cent. of their principal amount plus accrued interest from and including 6th April, 1999 at the rate of 9⁵/₈ per cent. per annum. The issue price of the B Bonds is 142.451 per cent. of their principal amount plus accrued interest from and including 6th April, 1999 at the rate of 9⁵/₈ per cent. per annum.

The Bonds will be consolidated and form a single series with the Bank's £200,000,000 9⁵/₈ per cent. Subordinated Bonds due 2023 issued on 6th April, 1993 and described in an offering circular dated 1st April, 1993 (the "Old Bonds"). See "General Information".

The Bonds will constitute unsecured obligations of the Bank subordinated (as provided under "Conditions of the Bonds — Status and Subordination"), in the event of the winding-up of the Bank, to the claims of depositors and all other creditors of the Bank other than Subordinated Creditors as defined in "Conditions of the Bonds — Status and Subordination".

The Bonds will bear interest at the rate of 9⁵/₈ per cent. per annum from and including 6th April, 1999, payable annually in arrear on 6th April in each year until maturity. Payments in respect of the Bonds and the interest coupons appertaining thereto will be made without deduction for or on account of United Kingdom taxes to the extent described under "Conditions of the Bonds — Taxation".

Unless previously redeemed or purchased and cancelled, each of the Bonds will be redeemed by the Bank at par on 6th April, 2023.

Copies of this document have been delivered to the Registrar of Companies in England and Wales for registration as required by Section 149 of the Financial Services Act 1986.

Application has been made to the London Stock Exchange Limited (the "London Stock Exchange") for the Bonds to be admitted to the Official List.

Goldman Sachs International



The date of this Offering Circular is 23rd August, 1999

This document comprises listing particulars given in compliance with the listing rules made under Section 142 of the Financial Services Act 1986 by the London Stock Exchange for the purpose of giving information with regard to the Bank, the Lloyds TSB Bank Group (as defined below) and the issue of the Bonds. The Bank accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Bank (which has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or to make any representation other than as contained in this document in its entirety in connection with the offering of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Bank or the Manager (as defined herein). Neither the delivery of this document nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Bank, its subsidiaries, subsidiary undertakings or associated undertakings since the date hereof. This document does not constitute an offer of, or an invitation by or on behalf of the Bank or the Manager to subscribe for or purchase any of, the Bonds.

The distribution of this document and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by the Bank and the Manager to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of Bonds and distribution of this document, see "Subscription and Sale".

The Bonds will initially be represented by a single temporary global bond (the "Temporary Global Bond"), without interest coupons, which will be deposited with a common depository on behalf of Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear"), and Cedelbank on or about 26th August, 1999. The Temporary Global Bond will be exchangeable for definitive Bonds, which will be in bearer form in the denominations of £1,000, £10,000 and £100,000 not earlier than 40 days after the later of the commencement of the offering and the issue date of the Bonds upon certification that the holders and beneficial owners thereof are not U.S. persons.

The Bonds have not been, and will not be, registered under the United States Securities Act of 1933 (the "Securities Act") and are subject to U.S. tax law requirements. Accordingly, subject to certain exceptions, Bonds may not be offered, sold or delivered in the United States or to U.S. persons. The Bonds are not eligible for sale under Rule 144A under the Securities Act.

All references herein to "Deutsche Marks" and "DM" are to the currency of the Federal Republic of Germany; to "N.Z. dollars" and "N.Z.\$" are to the currency of New Zealand; to "Euro", "euro" or "€" are to the single currency introduced in the member states of the European Communities which adopted such single currency at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Communities, as amended by the Treaty on European Union; to "pounds", "pounds sterling", "£", "pence" or "p" are to the currency of the United Kingdom; to "U.S. dollars" or "U.S.\$" are to the currency of the United States of America and to "Yen" or "¥" are to the currency of Japan.

References to the "Group" or to the "Lloyds TSB Bank Group" are to the Bank, its subsidiaries, subsidiary undertakings and associated undertakings.

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IN CONNECTION WITH THIS ISSUE, GOLDMAN SACHS INTERNATIONAL MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILISE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Neither the Trust Deed constituting the Bonds nor the Conditions of the Bonds will contain any negative pledge covenant by the Bank or any events of default other than those set out in Condition 7 below (which do not include, *inter alia*, a cross default provision).

The Conditions of the Bonds will appear on each Bond in definitive form substantially in the following form:—

CONDITIONS OF THE BONDS

The Bonds, serially numbered, comprising the £100,000,000 9½ per cent. Subordinated Bonds due 2023 (the "Bonds", which expression shall in these Conditions, unless the context otherwise requires, include any further bonds issued pursuant to Condition 13 and forming a single series therewith) of Lloyds TSB Bank plc (formerly Lloyds Bank Plc) (the "Bank") are constituted by a first supplemental trust deed dated 26th August, 1999 (the "First Supplemental Trust Deed") between (1) the Bank and (2) The Law Debenture Trust Corporation p.l.c. (the "Trustee") which is supplemental to a trust deed dated 6th April, 1993 (the "Principal Trust Deed" and, together with the First Supplemental Trust Deed, the "Trust Deed") between (1) the Bank and (2) the Trustee. The Trustee acts as trustee for the holders of the Bonds (the "Bondholders") in accordance with the provisions of the Trust Deed. Payments in respect of the Bonds will be made pursuant to a paying agency agreement dated 26th August, 1999 (the "Paying Agency Agreement") between the Bank, Citibank, N.A. as principal paying agent (the "Principal Paying Agent"), the other paying agents referred to therein (the "Paying Agents", which expression shall, wherever the context so permits, include the Principal Paying Agent) and the Trustee. The Bonds are consolidated and form a single series with the £200,000,000 9½ per cent. Subordinated Bonds due 2023 of the Bank issued on 6th April, 1993 and described in an offering circular dated 1st April, 1993 and constituted by the Principal Trust Deed. Copies of the Trust Deed and the Paying Agency Agreement are available for inspection during normal business hours at the principal office for the time being of the Trustee (presently at Princes House, 95 Gresham Street, London EC2V 7LY) and at the specified office of each of the Paying Agents. The Bondholders and the holders of the coupons referred to below (the "Couponholders") are entitled to the benefit of, are bound by, and are deemed to have notice of, all of the provisions contained in the Trust Deed and the Paying Agency Agreement.

1. Denomination and Title

The Bonds are in denominations of £1,000, £10,000 and £100,000 each. Title to the Bonds and to the coupons (the "Coupons") appertaining thereto will pass by delivery. The bearer of any Bond and the bearer of any Coupon shall be deemed to be, and shall be treated as, the absolute owner thereof for the purpose of receiving payment thereof or payment or delivery on account thereof (notwithstanding any writing thereon or notice of ownership) and for all other purposes whether or not such Bond or Coupon shall be overdue. Bonds of one denomination may not be exchanged for Bonds of any other denomination.

2. Status and Subordination

The Bonds and Coupons constitute unsecured obligations of the Bank and rank *pari passu* without any preference among themselves.

The claims of the Trustee, the Bondholders and the Couponholders against the Bank in respect of the Bonds and the Coupons will, in the event of the winding-up of the Bank, be subordinated, in the manner provided in the Trust Deed, to the claims of depositors and all other creditors of the Bank other than Subordinated Creditors (as defined below).

For the purposes of these Conditions, "Subordinated Creditors" means (a) persons whose claims are subordinated in the event of the winding-up of the Bank in any manner (other than by statute) to the claims of any unsecured creditor of the Bank and (b) persons whose claims in the event of the winding-up of the Bank should have been but shall not have been subordinated to the claims of unsecured creditors of the Bank in the manner required by any agreement, deed or instrument entered into by the Bank (whether

before, on or after the date of the Principal Trust Deed) whereunder the claims of any creditor or class of creditors of the Bank are required to be subordinated to the claims of any unsecured creditor of the Bank.

3. Interest

The Bonds bear interest from and including 6th April, 1999 at the rate of 9 $\frac{5}{8}$ per cent. per annum payable annually in arrear on 6th April (each such date an "Interest Payment Date") in respect of the year ending on the previous day. The first payment of interest, amounting to a full year's interest, will be due on 6th April, 2000. The Bonds will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused in which event interest shall continue to accrue as provided in the Trust Deed.

Interest shall accrue on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

4. Redemption and Purchase

(A) Redemption at maturity

Unless previously redeemed, or purchased and cancelled as hereinafter provided, the Bonds will be redeemed by the Bank at par on 6th April, 2023.

(B) Redemption for taxation reasons

- (i) If at any time the Bank satisfies the Trustee immediately prior to the giving of the notice referred to below that if a payment of principal or interest in respect of the Bonds were to be due (whether or not the same is in fact then due) on or before the date falling 60 days after the next Interest Payment Date, the Bank would, for reasons outside its control, be unable (after using such endeavours as the Trustee shall consider reasonable) to make such payment of principal or interest without having to pay additional amounts as provided or referred to in Condition 6, the Bank may at its option at any time, having given not less than 30 nor more than 60 days' notice in accordance with Condition 12, redeem all, but not some only, of the Bonds then outstanding at their principal amount together with interest accrued up to (but excluding) the date of redemption.
- (ii) Subject only to the obligation of the Bank to use such endeavours as aforesaid, it shall be sufficient to establish the existence of the circumstances required to be established pursuant to this paragraph (B) if the Bank shall deliver to the Trustee a certificate of an independent lawyer or accountant satisfactory to the Trustee in a form satisfactory to the Trustee to the effect either that such circumstances exist or that, upon a change in the taxation laws (or regulations made thereunder) of the United Kingdom or any authority thereof or therein having power to tax or in the application or interpretation of such laws or regulations, which at the date of such certificate is proposed and which in the opinion of such lawyer or accountant can reasonably be expected to become effective on or prior to the date falling 60 days after such Interest Payment Date as is referred to in (i) above, becoming so effective, such circumstances would exist.

(C) Purchase

The Bank or any of its subsidiaries or any holding company of the Bank or any other subsidiary of any such holding company may at any time purchase Bonds in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike. The Bonds so purchased, while held by or on behalf of the Bank or any such subsidiary or holding company or other subsidiary of any such holding company shall not entitle the holder to vote at any meetings of Bondholders and shall be deemed not to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of

Condition 10. Any purchase will be made only of Bonds together with all unmatured Coupons appertaining thereto.

(D) Cancellation

All Bonds which are (i) redeemed or (ii) purchased as provided in paragraph (C) above (otherwise than in the ordinary course of a business of dealing in securities) by or on behalf of the Bank or any subsidiary or holding company of the Bank or any other subsidiary of any such holding company for its own account may not be reissued or resold and shall be cancelled, immediately in the case of redemption or in due course where purchased (otherwise than as excepted above), together with all unmatured Coupons attached thereto or surrendered therewith.

5. Payments

- (A) Payment of principal in respect of each Bond will be made only against surrender of such Bond. Payment of interest will, subject as provided below, be made only against surrender of the relevant Coupon. All payments of principal and interest will be made at the specified office of any of the Paying Agents, subject in all cases to any fiscal or other law or regulation or order of any court of competent jurisdiction applicable to the Bank, the relevant Paying Agent or the holder of the Bond or Coupon in respect of such payment but without prejudice to the provisions of Condition 6. The sole currency of payment and account in respect of the Bonds is pounds sterling. Payment in respect of the Bonds and Coupons will be made by a pounds sterling cheque drawn on a branch of a bank in London, or by transfer to a pounds sterling account maintained by the payee with a bank in London. Without prejudice to the generality of any of the foregoing, the Bank reserves the right to require a Bondholder or Couponholder to provide a Paying Agent with such certification of information as may be required to enable the Bank to comply with the requirements of the United States federal income tax or securities laws. In case of early redemption, each Bond should be surrendered together with all unmatured Coupons appertaining thereto. Upon the due date for redemption of any Bond unmatured Coupons relating to such Bond (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Bond is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity or security as the Bank may reasonably require. If the due date for redemption of a Bond is not an Interest Payment Date, the interest accrued from the immediately preceding Interest Payment Date (or 6th April, 1999 (if such due date is prior to the first Interest Payment Date)) shall be payable only against surrender of such Bond.
- (B) If the date for payment of any amount of principal or interest in respect of any Bond is not at any place of payment a business day, then the holder thereof shall not be entitled to payment at that place of payment until the next following day which is a business day at that place of payment and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 5(B), "business day" means any day on which banks are open for business in the relevant place of payment and on which dealings in foreign exchange (including but not limited to pound sterling) may be carried out both in London and in such place of payment.
- (C) The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Bank reserves the right, subject to any necessary approval of the Trustee as provided in the Trust Deed, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, provided that it will at all times maintain a Paying Agent having a specified office in Europe, which, so long as the Bonds are listed on the London Stock Exchange Limited, shall be in London. Furthermore, in certain limited circumstances (as described in and subject to the provisions of the Trust Deed), the Bank shall be obliged to use reasonable endeavours to maintain a Paying Agent having a specified office in a city located in mainland Europe. Notice of any such termination or

appointment and of any changes in the specified offices of the Paying Agents will be given to the Bondholders in accordance with Condition 12.

6. Taxation

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

- (a) by or on behalf of any holder who (i) is entitled (aa) to satisfy any statutory requirements or (bb) to make a declaration of non-residence or other similar claim for exemption which, in the case of either (aa) or (bb), would result in the avoidance of such withholding or deduction or (ii) is liable to such tax, duty or charge in respect of such Bond or Coupon by reason of such holder having some connection with the United Kingdom other than the mere holding of such Bond or Coupon; or
- (b) in the United Kingdom; or
- (c) 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.

Subject as provided in the next following sentence, the "Relevant Date" in respect of any payment means the date on which such payment first becomes due, or, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Trustee on or prior to such date, it means the date(s) of which notice is given in accordance with Condition 12 that such moneys have been so received. The "Relevant Date" in respect of any payment which would have been due but for the application of Condition 7 means the date on which such payment would have been so due, or, if the relevant withheld amount (as defined in such Condition) has not (if lawful, as determined on such date) been placed on deposit in accordance with such Condition, it means the date on which such relevant withheld amount is so placed on deposit.

Any reference in these Conditions to principal and/or interest in respect of the Bonds (other than such interest as is referred to in Condition 7(G)) shall be deemed to include a reference to any additional amounts which may be payable under this Condition 6 or under any obligations undertaken in addition thereto or in substitution therefor pursuant to the Trust Deed.

7. Events of Default and Enforcement

- (A) If the Bank shall not make payment of any principal or any interest in respect of the Bonds for a period of 14 days or more after the due date for the same, the Trustee may institute proceedings in England (but not elsewhere) for the winding-up of the Bank, provided that it shall not have the right to institute such proceedings if the Bank withholds or refuses any such payment (i) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment, the Bank, the relevant Paying Agent or the holder of the Bond or Coupon or (ii) (subject as provided in the Trust Deed) in case of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice as to such validity or applicability given at any time during the said period of 14 days by independent legal advisers acceptable to the Trustee.
- (B) If, otherwise than for the purposes of reconstruction or amalgamation on terms previously approved in writing by the Trustee, an order is made or an effective resolution is passed for winding-up the Bank, the Trustee may at its discretion give notice to the Bank that the Bonds

are, and they shall accordingly immediately become, due and repayable at their principal amount, together with accrued interest (calculated as provided in the Trust Deed).

- (C) The Trustee shall not be bound to take the action referred to in paragraph (A) or (B) above or (D) below to enforce the obligations of the Bank in respect of the Bonds and Coupons unless (i) it shall have been so requested by Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders or in writing by the holders of at least one-fifth in principal amount of the Bonds then outstanding (as defined in the Trust Deed) and (ii) it shall have been indemnified to its satisfaction.
- (D) No Bondholder or Couponholder shall be entitled to institute proceedings for the winding-up of the Bank, or to prove in such winding-up, except that if the Trustee, having become bound to proceed against the Bank as aforesaid, fails to do so, or, being able to prove in such winding-up, fails to do so, in either case within a reasonable period and such failure is continuing, then any such holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute proceedings for the winding-up in England (but not elsewhere) of the Bank and/or prove in such winding-up to the same extent (but not further or otherwise) that the Trustee would have been entitled so to do. No remedy against the Bank, other than the institution of proceedings for the winding-up of the Bank in England or, as the case may be, proving in the winding-up of the Bank in the manner and by the persons aforesaid, shall be available to the Trustee or the Bondholders or Couponholders, whether for the recovery of amounts owing in respect of the Bonds or under the Trust Deed or in respect of any breach by the Bank of any of its obligations under the Bonds or the Trust Deed (other than for recovery of the Trustee's remuneration or expenses). The Bank has undertaken in the Trust Deed to pay English stamp and other duties (if any) on or in connection with the execution of the Trust Deed and English, Belgian and Luxembourg stamp and other duties or taxes (if any) on the constitution and original issue of the Bonds in temporary global or definitive form (provided such stamp and other duties or taxes result from laws applicable on or before the Exchange Date (as defined in the Trust Deed)) and stamp and other duties or taxes (if any) payable in England (but not elsewhere) solely by virtue of and in connection with any permissible proceedings under the Trust Deed or the Bonds, save that the Bank shall not be liable to pay any such stamp or other duties or taxes to the extent that the obligation arises or the amount payable is increased by reason of the holder at the relevant time unreasonably delaying in producing any relevant document for stamping or similar process. Subject as aforesaid, the Bank will not be otherwise responsible for stamp or other duties or taxes otherwise imposed and in particular (but without prejudice to the generality of the foregoing) for any penalties arising on account of late payment where due by the holder at the relevant time. Any such stamp or other duties or taxes that might be imposed upon or in respect of Bonds in temporary global or definitive form or the Coupons (in each case other than as aforesaid) are the liability of the holders thereof.
- (E) If payment to any Bondholder of any amount due in respect of the Bonds (other than interest) is improperly withheld or refused (any withholding or refusal effected in reliance upon the proviso to paragraph (A) of this Condition where the relevant law, regulation or order proves subsequently not to be valid or applicable shall be treated, for the purpose of ascertaining entitlement to accrued interest but not for any other purpose, as if it had been at all times an improper withholding or refusal), interest shall accrue, on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed, at the rate of 9⁵/₈ per cent. per annum on the amount as to which payment has been improperly withheld or refused, from the date of such withholding or refusal, as the case may be, until the date of which notice is given in accordance with Condition 12 that the full amount in pounds sterling payable in respect of such Bond is available for payment or the date of payment, whichever first occurs.
- (F) If, in reliance upon the proviso to paragraph (A) above, payment of any amount (each a "withheld amount") in respect of the whole or any part of the principal and/or any interest due

in respect of the Bonds, or any of them, is not paid or provided by the Bank to the Trustee or to or to the account of or with the Principal Paying Agent, or is withheld or refused by any of the Paying Agents, in each case other than improperly within the meaning of paragraph (E) above, such withheld amount shall, where not already on interest bearing deposit, if lawful, promptly be so placed, all as more particularly described in the Trust Deed. If subsequently it shall be or become lawful to make payment of such withheld amount in pounds sterling, notice shall be given in accordance with Condition 12, specifying the date (which shall be no later than seven days after the earliest date thereafter upon which such interest bearing deposit falls or may (without penalty) be called due for repayment) on and after which payment in full of such withheld amount (or that part thereof which it is lawful to pay) will be made. In such event (but subject in all cases to any applicable fiscal or other law or regulation or the order of any court of competent jurisdiction), the withheld amount or the relevant part thereof, together with interest accrued thereon from the date the same was placed on deposit to but excluding the date upon which such interest bearing deposit was repaid, shall be paid to (or released by) the Principal Paying Agent for payment to the relevant holders of Bonds and/or Coupons, as the case may be (or, if the Principal Paying Agent advises the Bank of its inability to effect such payment, shall be paid to (or released by) such other Paying Agent as there then may be or, if none, to the Trustee, in any such case for payment as aforesaid). For the purposes of paragraph (A) above the date specified in the said notice shall become the due date for payment in respect of such withheld amount or the relevant part thereof. The obligations under this paragraph (F) shall be in lieu of any other remedy otherwise available under these Conditions, the Trust Deed or otherwise in respect of such withheld amount or the relevant part thereof.

- (G) Any interest payable as provided in paragraph (F) above shall be paid net of any taxes applicable thereto and Condition 6 shall not apply in respect of the payment of any such interest.

8. Prescription

Claims for payment of principal (excluding principal comprised in a withheld amount) will become void 12 years and claims for payment of interest (other than interest comprised in, or accrued on, a withheld amount) will become void 6 years after the Relevant Date (as defined in Condition 6) relating thereto. Claims in respect of principal comprised in a withheld amount and claims in respect of interest comprised in, or accrued on, a withheld amount will, in the case of such principal, become void 12 years and will, in the case of such interest, become void 6 years after the due date for payment thereof as specified in Condition 7(F) or, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent, a Paying Agent or the Trustee, as the case may be, on or prior to such date, the date of which notice is given in accordance with Condition 12 that the relevant part of such moneys has been so received.

9. Indemnification of the Trustee

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

10. Meetings of Bondholders, Modification, Waiver and Substitution of Principal Debtor

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including any modification of these Conditions and the provisions of the Trust Deed, except that certain provisions of the Trust Deed (including, *inter alia*, provisions concerning the currency, amount and due dates of payment of interest or principal in respect of the Bonds, and the provisions as to subordination referred to in Condition 2, other than in relation to such provisions as to

subordination to the extent that the modification thereof would, in the opinion of the Trustee, not be materially prejudicial to the interests of the Bondholders) may only be modified subject to approval by Extraordinary Resolution passed at a meeting of Bondholders to which special quorum provisions shall have applied. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not, and on all the Couponholders.

The Trustee may, without the consent of the Bondholders or the Couponholders, agree to any modification (except as aforesaid) of, or waive or authorise any breach or proposed breach of, any provision of these Conditions, the Trust Deed or the Paying Agency Agreement which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Bondholders or agree to any modification to correct a manifest error or which is of a minor or technical nature. Unless the Trustee agrees otherwise, notice of any modification shall be given in accordance with Condition 12 as soon as practicable thereafter.

The Trustee shall agree, if requested by the Bank and subject to such amendment of the Trust Deed and such other conditions as the Trustee may reasonably require, but without the consent of the Bondholders or the Couponholders, to the substitution, subject to the Bonds and the Coupons being unconditionally and irrevocably guaranteed by the Bank on a subordinated basis equivalent to that mentioned in Condition 2, of a subsidiary of the Bank or a holding company of the Bank or another subsidiary of any such holding company in place of the Bank as principal debtor under the Trust Deed, the Bonds and the Coupons and as a party to the Paying Agency Agreement and so that the claims of the Bondholders and the Couponholders may, in the case of the substitution of a holding company of the Bank or a banking company (as defined in the Trust Deed) in the place of the Bank, also be subordinated to the rights of depositors and other unsubordinated creditors of that holding company or banking company but not further or otherwise.

In the case of a substitution pursuant to this Condition, the Trustee may in its absolute discretion agree, without the consent of the Bondholders or Couponholders, to a change of the law governing the Bonds, the Coupons and/or the Trust Deed and/or the Paying Agency Agreement provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders.

In connection with the exercise of any of its functions (including but not limited to those relating to any proposed modification, waiver, authorisation or substitution), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Bondholder or Couponholder shall, in connection with any such modification, waiver, authorisation or substitution, be entitled to claim any indemnification or payment in respect of any tax or other consequence thereof upon individual Bondholders or Couponholders except to the extent provided for by Condition 6.

11. Replacement of Bonds and Coupons

Should any Bond or Coupon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (or such other place of which notice shall be given in accordance with Condition 12) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity or security as the Bank may reasonably require. Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued. In addition the Bank may require the person requesting delivery of a replacement Bond or Coupon to pay, prior to delivery of such replacement Bond or Coupon, any stamp or other tax or governmental charges required to be paid in connection with such replacement. No replacement Bond shall be issued having attached thereto any Coupon claims in respect of which shall have become void pursuant to Condition 8.

12. Notices

All notices regarding the Bonds will be valid if published in one leading London daily newspaper or, if, in the opinion of the Trustee, this is not practicable, in one other leading English language daily newspaper which is approved by the Trustee and has circulation in Europe. Any notice published in a newspaper as aforesaid shall be deemed to have been given on the date of such publication or, if

published more than once, on the date of the first such publication. If publication is not practicable in any such newspaper as is mentioned above, notice will be valid if given in such other manner, and shall be deemed to have been given on such date, as the Trustee shall determine.

Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Bondholders in accordance with this Condition 12.

13. Further Issues

The Bank is at liberty from time to time without the consent of the Bondholders or the Couponholders to create and issue further bonds or notes (whether in bearer or registered form) either (i) in the case of bonds, ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) with the Bonds and so that the same shall be consolidated and form a single series with the Bonds or (ii) in either case, upon such terms as to ranking, interest, conversion, redemption and otherwise as the Bank may at the time of the issue thereof determine. Any such further bonds referred to in (i) above (but not (ii) above) shall be constituted by a deed supplemental to the Principal Trust Deed.

14. Governing Law

The Trust Deed, the Bonds, the Coupons and the Paying Agency Agreement are governed by and shall be construed in accordance with English law.

USE OF PROCEEDS

The net proceeds of the issue, which are estimated to amount to approximately £145,818,805.56, will be used for the general business purposes of the Lloyds TSB Group plc group of companies.

THE LLOYDS TSB BANK GROUP

The Bank is the holding and principal operating company of the Lloyds TSB Bank Group. It is the wholly-owned sole subsidiary of Lloyds TSB Group plc, its ultimate holding company.

The Group is one of the leading UK-based financial services groups, whose businesses provide a comprehensive range of banking and financial services in the United Kingdom and overseas. At the end of 1998 total Group assets were £168 billion and there were over 77,000 employees. Market capitalisation of the Group was £46.5 billion.

The main businesses and activities of the Group are described below:

UK Retail Financial Services

Encompasses three of the main businesses — UK Retail Banking, Mortgages, and Insurance and Investments — which provide a full range of banking and financial services to over 15 million personal and small business customers. With more than 2,700 branches of Lloyds TSB Bank and Cheltenham & Gloucester plc ("C&G"), the Group has the most comprehensive geographic coverage of any financial services group in England, Scotland and Wales.

UK Retail Banking

The main businesses included under UK Retail Banking are:

Current accounts, savings and investment accounts and consumer lending. The retail branches of Lloyds TSB Bank offer a broad range of branded products, and C&G provides retail investments through its branch network and a postal investment centre.

Card Services provides a range of card-based products and services, including credit and debit cards and card processing services for retailers. The Group is a member of both the VISA and MasterCard payment systems and is the second largest bank credit card issuer in the United Kingdom.

ATMs. With 4,300 automated teller machines ("ATMs") at branches and external locations around the country, the Group has the largest cash dispenser network of any banking group in the United Kingdom. In addition, they have access to a further 18,000 ATMs in the United Kingdom and, through the VISA and MasterCard networks, to over 200,000 ATMs worldwide.

Telephone Banking. Telephone Banking continues to grow and the Group is one of the largest telephone banks in the United Kingdom. At the end of 1998 some 1.1 million customers had registered to use the services of PhoneBank, PhoneBank Express, an automated voice response service, and LloydsLine.

Business Banking. Small businesses are served by dedicated business managers based in over 500 locations throughout the United Kingdom. Customers have access to a full range of tailored business services ranging from money transmission, lending and deposits to asset finance, factoring, mortgages, insurance and investments. The Group is the leading bank for new business start-ups with around one in four opening accounts with the Group.

Asset Finance. Lloyds UDT Limited is a leading finance house providing leasing, hire purchase, and loan products to the corporate and personal sectors direct, through intermediaries, and through a number of joint ventures. It has particular strengths in motor vehicle finance and asset finance for small and medium-sized companies.

Mortgages

C&G is the Group's specialist residential mortgage provider, selling its mortgages through branches of C&G and Lloyds TSB Bank in England and Wales, as well as through the telephone and postal service, C&G TeleDirect. The Group is the third largest residential mortgage lender in the United Kingdom, with a market share of almost 10 per cent., loans outstanding at the end of 1998 of £44.7 billion and over 940,000 borrowers.

Insurance and Investments

The Group offers a wide range of insurance and investment products and services.

Life assurance, pensions and investment products are provided through Lloyds TSB Life, Lloyds TSB Unit Trusts and Abbey Life. Life, pensions and unit trust funds under management totalled £30.2 billion at the end of 1998.

General Insurance. General insurance underwriting and broking is conducted through Lloyds TSB Insurance Services, Lloyds TSB General Insurance and Ambassador Insurance.

Private Banking and Stockbroking. Private Banking provides a range of tailor-made wealth management services and products to individuals from 40 offices throughout the United Kingdom. In addition to asset management, these include tax and estate planning, executor and trustee services, deposit taking and lending, and insurance and personal equity plan products. At the end of 1998, assets held for private clients totalled some £11 billion, of which over £7 billion is under discretionary management.

Lloyds TSB Stockbrokers undertakes retail stockbroking through its Sharedeal Direct telephone service.

Hill Samuel Asset Management manages funds for the retail, life, pensions and unit trust products distributed through Lloyds TSB Bank branches, as well as funds for corporate pension schemes, local authorities and other institutions in the United Kingdom and overseas. At the end of 1998 funds under management totalled £37 billion.

Wholesale Markets

The Group's relationships with major United Kingdom and multinational companies, banks and institutions, and medium-sized United Kingdom businesses, together with its activities in financial markets, are managed through dedicated offices in the United Kingdom and a number of locations overseas, including New York and Tokyo.

Treasury is a leading participant in foreign exchange, money and certain derivatives markets to meet the needs of customers, and as part of the Group's trading activities, including liquidity management.

Corporate and Institutional Financial Services provides a full range of banking and related services, including electronic banking, large value lease finance, share registration, correspondent banking and capital markets services to major United Kingdom and multinational companies and financial institutions.

Commercial Financial Services is a leading provider of financial services to medium-sized businesses in the United Kingdom through a network of 83 offices. This encompasses a dedicated range of commercial banking services, the provision of factoring, invoice discounting and asset based financing products, together with venture capital to support expansion and corporate restructuring. The Agricultural Mortgage Corporation provides long-term finance for the agricultural sector.

International Banking

The Group provides banking and financial services overseas in four main areas: The Americas, New Zealand, Europe and Offshore Banking.

The Americas. The Group has operated in The Americas for over 130 years and has offices in Argentina, Brazil, Colombia and six other countries. In addition there are private banking and investment operations in the United States and the Bahamas.

New Zealand. The National Bank of New Zealand, following its purchase of Countrywide Banking Corporation during 1998, is the country's second largest bank and provides a full range of banking services through some 230 outlets.

Europe. International Private Banking covers services to wealthy individuals outside their country of residence. The business is conducted through Switzerland and through four other countries overseas. There are additional private and corporate banking operations in Spain and France.

Offshore Banking comprises all the Group's offices in the Channel Islands and Isle of Man, as well as its operations in Hong Kong, Singapore and Malaysia and representation in Dubai. It provides a full range of retail banking, private banking and financial services to overseas residents and islanders, together with deposit services offshore for UK residents.

Recent Developments

On 23rd June, 1999, the boards of Lloyds TSB Group plc and The Scottish Widows Fund and Life Assurance Society ("Scottish Widows") (a life, pensions and unit trust corporation) announced that they had entered into an agreement providing for the transfer of Scottish Widows' business to the Lloyds TSB Group. The transfer is subject to, amongst other things, approval by Scottish Widows' members, satisfactory discussions with relevant regulatory authorities and Court sanction. The transfer is expected to be completed in first quarter 2000.

Under the terms of the agreement, Scottish Widows' eligible members will benefit from a cash payment as compensation for loss of membership rights by the Lloyds TSB Group up to a maximum of £6.1 billion and £1.3 billion will (to the extent not needed to meet contingencies relating to Scottish Widows' pre-transfer business) be paid out over a period of time as policyholder benefits. The exact amount receivable by members will depend on the value of Scottish Widows' "estate" — the excess of its assets needed to meet policy claims and bonus expectations — and its "in force" business at completion. Based on values as at 31st December, 1998, the cash payment and policyholder benefits would have totalled approximately £7.0 billion.

The combination of the Lloyds TSB Group and Scottish Widows will create the United Kingdom's second largest provider in the life, pensions and unit trust market, with a broad and powerful distribution capability.

The Scottish Widows brand will become the brand for the Lloyds TSB Group's life, pensions, unit trust and other long-term savings products sold through Scottish Widows' Independent Financial Adviser distribution channel and the branch network.

Directors

The directors of the Bank, the business address of each of whom is 71 Lombard Street, London EC3P 3BS, and their respective principal outside activities, where significant to the Bank, are as follows:

Sir Brian Pitman *Chairman*

Chairman of NEXT PLC and a director of Carlton Communications

Sir Nicholas Goodison *Deputy Chairman*

Deputy chairman of British Steel

Alan E Moore CBE *Deputy Chairman*

Executive directors

Peter B Ellwood *Group Chief Executive*

Michael E Fairey *Deputy Group Chief Executive*

M Kent Atkinson *Group Finance Director*

A director of Coca-Cola Beverages

Stephen A Maran *Group Director, Insurance and Investments*

Gordon F Pell *Group Director, UK Retail Banking*

David P Pritchard *Group Director, Wholesale Markets and International Banking*

Non-executive directors

Professor Ewan Brown CBE

Chairman of Dunedin Income Growth Investment Trust and a director of Stagecoach Holdings and Noble Grossart

A Clive Butler

A director of Unilever

Sheila M Forbes

Christopher S Gibson-Smith

Managing director and executive vice president of BP Amoco

LE (Paddy) Linaker

Chairman of Fleming Geared Growth Investment Trust and a director of Wolverhampton and Dudley Breweries and The Fleming Mercantile Investment Trust

Thomas FW McKillop

Chief executive of AstraZeneca Group and a director of Nycomed Amersham

Peter C Nicholson

Chairman of Solent Regional Radio and a director of Crest Nicholson and Stenoak Services

Dame Bridget Ogilvie DBE ScD

A director of AstraZeneca Group

Sir Ian Prosser

Chairman of Bass and deputy chairman of BP Amoco

The Earl of Selborne KBE FRS

Managing director of The Blackmore Estate

CAPITALISATION OF LLOYDS TSB BANK plc

The following table presents on a consolidated basis, as at the dates indicated, the Bank's (i) share capital and reserves and minority interests and (ii) undated and dated loan capital.

On 31st March, 1999, the assets and liabilities of Hill Samuel Bank Limited vested in the Bank, and on 28th June, 1999, the assets and liabilities of TSB Bank plc vested in the Bank in each case by operation of the Lloyds TSB Act 1998. The vesting is expected to be accounted for as a merger, and consequently the share capital and reserves of the Bank as at 31st December, 1998 have been restated in the capitalisation table below to include the net worth of TSB Bank plc and Hill Samuel Bank Limited at that date.

On 30th June, 1999, the Bank acquired the interests of Lloyds TSB Group in all of its subsidiaries other than the Bank. The consideration payable comprises the repayment of inter-company borrowings of £1,769 million, and the issuance by the Bank of 70 million ordinary shares. The net assets attributable to the shares being issued amount to about £1.8 billion.

	31st December, 1998
	<i>£ millions</i>
Share capital and reserves	
Authorised: 1,650,000,000 ordinary shares of £1 each and 1 cumulative floating rate preference share of £1 (Note k)	1,650
Issued and fully paid: 1,472,000,000 ordinary shares of £1 each (Note l)	1,472
Reserves	5,716
Total	7,188
Minority interests	42
	31st July, 1999
	<i>£ millions</i>
Undated loan capital (Notes m, a, d and h)	
The Bank	
Primary Capital Undated Floating Rate Notes (Series 1) (U.S.\$750 million) (Note e)	463
Primary Capital Undated Floating Rate Notes (Series 2) (U.S.\$500 million) (Note e)	308
Primary Capital Undated Floating Rate Notes (Series 3) (U.S.\$600 million) (Note e)	370
Undated Subordinated 5.57 per cent. Step-up Coupon Notes (¥20 billion)	107
Undated Subordinated 8 per cent. Step-up Notes (Note i)	199
€1,250 million 5½ per cent. Undated Subordinated Step-up Notes Callable 2009 (Note n)	814
€150 million Floating Rate Undated Subordinated Step-up Notes Callable 2009	98
£410 million 6½ per cent. Undated Subordinated Step-up Notes Callable 2010 (Note o)....	404
£270 million 6½ per cent. Undated Subordinated Step-up Notes Callable 2019 (Note o)....	266
£200 million 6½ per cent. Undated Subordinated Step-up Notes Callable 2029 (Note o)....	198
Subsidiary undertaking	
11¾ per cent. Perpetual Subordinated Bonds	100
Total	3,327

31st July,
1999
£ millions

Dated loan capital (Notes m, b, c, d and h)

The Bank

£100 million Subordinated Floating Rate Notes 2004 (Notes e and f).....	100
£400 million 7¾ per cent. Subordinated Bonds 2004	399
£100 million Subordinated Floating Rate Loan 2006 (Note e)	100
£300 million 7¾ per cent. Subordinated Bonds 2007	298
£100 million 10½ per cent. Guaranteed Subordinated Loan Stock 2008	116
DM750 million 5¼ per cent. Subordinated Notes 2008	252
£100 million 9½ per cent. Subordinated Bonds 2009	99
£100 million 12 per cent. Guaranteed Subordinated Bonds 2011	126
€500 million 4¾ per cent. Subordinated Notes 2011	323
£200 million 9½ per cent. Subordinated Bonds 2023	199

Subsidiary undertakings

N.Z.\$200 million Subordinated Fixed Rate Bonds 2003 (Note g)	65
Subordinated Floating Rate Notes 2004 (Note e)	25
Subordinated Floating Rate Notes 2005 (Note e)	25
N.Z.\$50 million Subordinated Fixed Rate Bonds 2005 (Note g)	16
N.Z.\$75 million Subordinated Fixed Rate Bonds 2006 (Note g)	25
Subordinated Floating Rate Notes 2006 (Note e)	150
Subordinated Floating Rate Notes 2007 (Note e)	200
N.Z.\$150 million Subordinated Fixed Rate Bonds 2007 (Note g)	49
Subordinated Floating Rate Notes 2008 (Note e)	150
Total	2,717
Total Capitalisation	13,274

Notes: —

- (a) The undated loan capital Notes were issued on a subordinated basis and, in certain circumstances, the Notes would acquire the characteristics of preference share capital.
- (b) Where repayment is due in instalments, the year shown is that in which the final instalment falls due.
- (c) Much of the dated loan capital is prepayable at the option of the Bank subject to such, if any, prior approval of the Financial Services Authority as may for the time being be required therefor.
- (d) Loan capital denominated in currencies other than sterling has been translated at rates prevailing on 31st July, 1999.
- (e) These Notes and the loan bear interest at rates fixed periodically in advance based on London interbank rates.
- (f) Exchangeable at the election of the Bank for further subordinated floating rate Notes.
- (g) These Bonds bear interest (to be reset five years before the final maturity date) at a fixed margin over New Zealand Government stocks.
- (h) In certain circumstances the amounts of undated loan capital and dated loan capital reflect issue expenses which are amortised over the life of the issue.
- (i) Redeemable at the election of the Group in 2023. In the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over the then five year gilt rate.
- (j) As at 31st December, 1998, the Bank had other borrowings of £145,567 million and contingent liabilities of £4,170 million.
- (k) There has been no change in the authorised share capital since 31st December, 1998.
- (l) There has been no change in the issued share capital since 31st December, 1998.
- (m) There has been no material change in the Bank's consolidated undated and dated loan capital since 31st July, 1999 other than (i) US\$500,000,000 Subordinated Step-up Callable Floating Rate Notes due 2009 and (ii) £150,000,000 6 per cent. Notes due 2004, or in its other borrowings or contingent liabilities since 31st December, 1998.
- (n) At the callable date, the coupon on these Notes will be reset to a floating rate.
- (o) At the callable date, the coupon on these Notes will be reset by reference to the applicable five year benchmark gilt rate.

UNITED KINGDOM TAXATION

The comments below are of a general nature based on current United Kingdom law and practice. They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are the absolute beneficial owners of their Bonds and Coupons (referred to in the following as "Bondholders" and "Couponholders") and may not apply to certain classes of persons such as dealers. Any Bondholders who are in doubt as to their personal tax position should consult their professional advisers.

1 Interest

1.1 The Bonds will constitute "quoted Eurobonds" within the meaning of section 124 of the Income and Corporation Taxes Act 1988 ("the Act") provided the Bonds continue to be listed on a recognised stock exchange within the meaning of Section 841 of the Act (which includes the London Stock Exchange), and while this is the case, payments of interest may be made without withholding or deduction for or on account of United Kingdom income tax where:

- (a) the payment of interest is made by an overseas paying agent; or
- (b) the payment is made by or through a person who is in the United Kingdom but:
 - (i) the beneficial owner of the Bonds and the related Coupons is not resident in the United Kingdom; or
 - (ii) the Bonds are held in a "recognised clearing system" (Euroclear and Cedelbank have each been designated as a "recognised clearing system" for this purpose and for the purpose of the collecting agent rules referred to below),

and a declaration to that effect in the form required by law has been given to that person (or the Inland Revenue has issued a notice to that effect to that person). The exception will then be available unless the Inland Revenue has issued a direction that it considers that neither of the conditions in (i) and (ii) is satisfied.

In all other cases interest will be paid under deduction of income tax at the lower rate (currently 20 per cent.) subject to any direction to the contrary from the Inland Revenue in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

1.2 Where a person in the United Kingdom acts as a collecting agent, i.e. either:

- (a) acts as custodian of the Bonds and receives interest on the Bonds, or directs that interest on the Bonds be paid to another person, or consents to such payment; or
- (b) collects or secures payment of, or receives interest on, the Bonds for a Bondholder or a Couponholder (except by means of clearing a cheque or arranging for the clearing of a cheque),

the collecting agent will be required to withhold on account of United Kingdom income tax at the lower rate (currently 20 per cent.) unless any one of certain exceptions applies, including where:

- (i) the collecting agent acts as depositary for the "recognised clearing system" in which the Bonds are held;
- (ii) the relevant Bonds are held in a "recognised clearing system" and the collecting agent pays or accounts for the interest directly or indirectly to the clearing system;
- (iii) the person beneficially entitled to the interest and the related Bonds is not resident in the United Kingdom;
- (iv) the person beneficially entitled to the interest is eligible under specified provisions for relief from United Kingdom tax in respect of the interest;

- (v) the interest falls to be treated as the income of, or of the government of, a sovereign power or of an international organisation; or
- (vi) the relevant Bonds and the interest are beneficially owned by a person falling into certain specific categories, or one of certain other circumstances applies, in each case as prescribed by regulations made under the Act, which would apply, for example, to Bonds held under a personal equity plan, an ISA, in a pension funds pooling scheme or a superannuation fund.

For exceptions (ii) to (vi) to be available, a declaration in a specified form has to be provided (or a notice issued by the Inland Revenue) to the collection agent. The exception will then be available unless the Inland Revenue issues a direction to that effect having reason to believe that none of the exceptions applies or that the depositary or collecting agent has failed to comply with certain requirements.

- 1.3 The interest has a United Kingdom source and accordingly may be chargeable to United Kingdom tax by direct assessment. Where the interest is paid without withholding or deduction, the interest will not be assessed to United Kingdom tax in the hands of Bondholders who are not resident for tax purposes in the United Kingdom, except where such Bondholders carry on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Bonds are attributable, in which case, subject to exemptions for interest received by certain categories of agent, tax may be levied on the United Kingdom branch or agency.
- 1.4 Where interest has been paid under deduction of United Kingdom income tax, Bondholders who are not resident in the United Kingdom for tax purposes may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.
- 1.5 Bondholders should note that the provisions relating to additional amounts referred to in "Conditions of the Bonds — Taxation" above would not apply if the Inland Revenue sought to assess directly the person entitled to the relevant interest to United Kingdom tax. However, exemption from, or reduction of, such United Kingdom tax liability might be available under an applicable double taxation treaty.

2 Disposal (including Redemption)

2.1 Corporate Bondholders

Bondholders within the charge to United Kingdom corporation tax will be subject to tax as income on all profits and gains arising from, and from fluctuations in the value of the Bonds, broadly in accordance with their statutory accounting treatment. Such Bondholders will generally be charged in each accounting period by reference to interest and any profit or loss which, in accordance with such Bondholder's authorised accounting method, is applicable to that period.

2.2 Other Bondholders

2.2.1 Disposal

The Bonds are "qualifying corporate bonds" within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992 with the result that on a disposal of the Bonds neither chargeable gains nor allowable losses will arise for the purposes of taxation of capital gains.

2.2.2 Adjustment for Accrued Interest

A transfer of a Bond by a holder resident or ordinarily resident for tax purposes in the United Kingdom or who carries on a trade in the United Kingdom through a branch or agency to which the Bond is attributable may give rise to a charge to tax on the interest which has accrued on the Bonds since the preceding interest payment date, pursuant to the accrued income scheme. If the transfer is made with the benefit of accrued interest the charge potentially falls on the transferor and the transferee may be entitled to a corresponding credit. Such a credit may also be available to a holder

who acquires a Bond upon the issue thereof or during the first interest period after issue in respect of interest attributable to a period preceding the issue of the Bond.

3 Proposed European Directive on the Taxation of Savings

In May 1998, the European Commission presented to the Council of Ministers of the European Union a proposal to oblige Member States to adopt either a "withholding tax system" or an "information reporting system" in relation to interest, discounts and premiums. It is unclear whether this proposal will be adopted, and if it is adopted, whether it will be adopted in its current form. The "withholding tax system" would require a paying agent established in a Member State to withhold tax at a minimum rate of 20 per cent. from any interest, discount or premium paid to an individual resident in another Member State unless such an individual presents a certificate obtained from the tax authorities of the Member State in which the individual is resident confirming that those authorities are aware of the payment due to that individual. The "information reporting system" would require a Member State to supply, to other Member States, details of any payment of interest, discount or premium made by paying agents within its jurisdiction to an individual resident in another Member State. For these purposes, the term "paying agent" is widely defined and includes an agent who collects interest, discounts or premiums on behalf of an individual beneficially entitled thereto. If this proposal is adopted, it will not apply to payments of interest, discounts and premiums made before 1 January 2001.

Bondholders who are individuals should note that, if this proposal is adopted in its current form, the provisions relating to additional amounts referred to in "Conditions of the Bonds — Taxation" above would not apply in respect of withholding tax imposed as a result thereof.

4 United Kingdom Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue or transfer by delivery of a Bond or on its redemption for so long as the Bonds are either listed on a recognised stock exchange or held in a clearing system.

SUBSCRIPTION AND SALE

Goldman Sachs International, (the "Manager") has, pursuant to a subscription agreement dated 23rd August, 1999 (the "Subscription Agreement"), agreed with the Bank, subject to the satisfaction of certain conditions, to subscribe for the A Bonds at an issue price of 142.784 per cent. of their principal amount plus accrued interest from and including 6th April, 1999 at the rate of 9½ per cent. per annum and to subscribe for the B Bonds at an issue price of 142.451 per cent. of their principal amount plus accrued interest from and including 6th April, 1999 at the rate of 9½ per cent. per annum for a selling commission of 0.40 per cent., and a combined management and underwriting commission of 0.225 per cent., in each case calculated on the principal amount of the Bonds. The Bank will agree to reimburse the Manager for certain expenses incurred by it in connection with the issue. The Subscription Agreement will entitle the Manager to be released and discharged from its obligations in respect of the subscription of Bonds in certain circumstances prior to payment to the Bank.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

The Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Bonds, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the issue date of the Bonds, within the United States or to, or for the account or benefit of U.S. persons, and that it will have sent to each dealer to which it sells Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Bonds within the United States by a dealer which is not participating in the offering may violate the registration requirements of the Securities Act.

The Manager has further represented and agreed that:

- (a) it has not offered or sold and will not offer or sell any Bonds to persons in the United Kingdom prior to admission of the Bonds to listing in accordance with Part IV of the Financial Services Act 1986 (the "FSA") except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 or the FSA;
- (b) it has complied and will comply with all applicable provisions of the FSA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom; and
- (c) it has, only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Bonds, other than any document which consists of or any part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by listing rules under Part IV of the FSA, to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996, as amended, or is a person to whom such document may otherwise lawfully be issued or passed on.

No action has been or will be taken in any jurisdiction by the Bank or the Manager that would permit a public offering of the Bonds, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Circular comes are required by the Bank and the Manager to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Bonds or have in their possession or distribute such offering material, in all cases at their own expense.

GENERAL INFORMATION

1. The listing of the Bonds on the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). Transactions will normally be effected for settlement in pounds sterling and for delivery on the third working day after the date of the transaction. It is expected that listing of the Bonds will be granted on 26th August, 1999 subject only to the issue of the Temporary Global Bond. Pending such issue, however, dealings will be permitted by the London Stock Exchange in accordance with its rules.
2. The Bonds have been accepted for clearance through the Euroclear and Cedelbank systems and the Bonds will be fungible for trading purposes with the Old Bonds upon and to the extent that the Temporary Global Bond is exchanged for definitive Bonds. Until such exchange, the Bonds will have a temporary ISIN, namely XS0100857050 and a temporary common code, namely 10085705. Following such exchange the Bonds will have the same ISIN as the Old Bonds, namely XS0043098127, and the same common code as the Old Bonds, namely 4309812.
3. Neither the Bank nor any of its subsidiaries is involved in any legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the financial position of the Group or of the Bank, nor, so far as the Bank is aware, are any such proceedings pending or threatened or have been threatened.
4. Save as disclosed on page 14 hereof in relation to Scottish Widows and on page 16 hereof in relation to Group structure, there has been no significant change in the financial or trading position of the Bank or of the Group since 31st December, 1998 and no material adverse change in the financial position or prospects of the Bank or of the Group since 31st December, 1998.
5. Price Waterhouse, Chartered Accountants and Registered Auditors have audited, and rendered unqualified audit reports on, the annual consolidated published accounts of the Bank and its subsidiaries for the three financial years ended 31st December, 1997. On 1st July, 1998, Price Waterhouse merged its business with Coopers & Lybrand to form a new partnership called PricewaterhouseCoopers. The successor firm was appointed as auditors of the Bank on 10th September, 1998. PricewaterhouseCoopers have audited, and rendered unqualified audit reports on, the annual consolidated published accounts of the Bank and its subsidiaries for the financial year ended 31st December, 1998.
6. No redemption of the Bonds for taxation reasons and no purchase and cancellation of the Bonds in accordance with the Conditions of the Bonds will be made by the Bank without the prior consent of the Financial Services Authority as may for the time being be required therefor.
7. Copies of the latest audited consolidated Report and Accounts of the Bank will (so long as any of the Bonds remains outstanding) be available to the holders of the Bonds at each specified office of each Paying Agent for the time being.
8. The issue of the Old Bonds was authorised by a resolution of the Chairman's Committee of the Board of Directors of the Bank passed on 1st April, 1993. The issue of the Bonds was authorised by a resolution of the Chairman's Committee of the Board of Directors of the Bank passed on 5th August, 1999.
9. The definitive Bonds and the Coupons will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States Income Tax Laws, including the limitations provided in Sections 165(j) and 1297(a) of the Internal Revenue Code".
10. Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) at the offices of Linklaters & Alliance, One Silk Street, London EC2Y 8HQ for a period of 14 days from the date hereof:
 - (a) the Memorandum and Articles of Association of the Bank;
 - (b) the audited consolidated Annual Report and Accounts of the Bank for the three years ended 31st December, 1996, 1997 and 1998;

- (c) the Subscription Agreement referred to above; and
- (d) the Principal Trust Deed dated 6th April, 1993 constituting the Old Bonds and drafts, subject to modification, of the First Supplemental Trust Deed referred to above (including, *inter alia*, the form of the Bonds and the form of the Temporary Global Bond) and the Paying Agency Agreement referred to above.

REGISTERED OFFICE OF THE BANK

71 Lombard Street
London EC3P 3BS

TRUSTEE FOR THE BONDHOLDERS

The Law Debenture Trust Corporation p.l.c.

Princes House
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London EC2V 7LY

LEGAL ADVISERS

To the Bank
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Linklaters & Alliance
One Silk Street
London EC2Y 8HQ

To the Manager
Clifford Chance
200 Aldersgate Street
London EC1A 4JJ

To the Trustee
Allen & Overy
One New Change
London EC4M 9QQ

LONDON LISTING AGENT

Goldman Sachs Equity Securities (U.K.)

Peterborough Court
133 Fleet Street
London EC4A 2BB

PRINCIPAL PAYING AGENT

Citibank, N.A.
5 Carmelite Street
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PAYING AGENTS

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Paribas Luxembourg
10A Boulevard Royal
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