

CARD 1 (See also Cards 2 and 3)

THIS CARD IS CIRCULATED TO GIVE DETAILS OF AN ISSUE BY THE BANK  
AND SHOULD BE RETAINED FOR REFERENCE PURPOSES

LI-LN 54

**LLOYDS BANK PLC**

LLO

(Incorporated in England with limited liability  
under the Companies Act 1862 and the Companies Act 1985)

U.S.\$500,000,000 PRIMARY CAPITAL UNDATED FLOATING RATE NOTES (SERIES 2)

ISSUE PRICE 100 PER CENT.

*This document contains particulars given in compliance with the Regulations of the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland ("The Stock Exchange") for the purpose of giving information with regard to Lloyds Bank Plc (the "Bank") and the issue of U.S.\$500,000,000 of the above-mentioned Notes (the "Notes") by the Bank. The Bank is the person responsible 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. The Bank accepts responsibility accordingly.*

*A copy of this document, which comprises the listing particulars required by The Stock Exchange (Listing) Regulations 1984, has been delivered to the Registrar of Companies in England and Wales in accordance with such Regulations.*

*Application has been made to the Council of The Stock Exchange for the Notes to be admitted to the Official List.*

**SUBSCRIPTION AND SALE**  
**Lloyds Merchant Bank Limited**

Bank of Tokyo International Limited  
Barclays Merchant Bank Limited  
County Bank Limited  
Credit Suisse First Boston Limited  
Goldman Sachs International Corp.  
LTCB International Limited  
Morgan Guaranty Ltd  
Nomura International Limited  
Shearson Lehman Brothers International, Inc.  
Swiss Bank Corporation International Limited  
S. G. Warburg & Co. Ltd.

Algemene Bank Nederland N.V.  
Australia and New Zealand Banking Group Limited  
Bank of China  
Banque Nationale de Paris  
Citicorp Investment Bank Limited  
Crédit Commercial de France  
Daiwa Europe Limited  
Fuji International Finance Limited  
Hambros Bank Limited  
Kidder, Peabody International Limited  
Kredietbank N.V.  
Mitsubishi Finance International Limited  
Samuel Montagu & Co. Limited  
The National Commercial Bank Saudi Arabia  
Nippon Credit International (Hong Kong) Limited  
Saitama Bank (Europe) S.A.  
Saudi International Bank  
Al-Bank Al-Saudi Al-Alami Limited  
Société Générale  
Tokai International Limited  
Wood Gundy Inc.

Bankers Trust International Limited  
Commerzbank Aktiengesellschaft  
Crédit Lyonnais  
Dresdner Bank Aktiengesellschaft  
IBJ International Limited  
Merrill Lynch International & Co.  
Morgan Stanley International  
Orion Royal Bank Limited  
Sumitomo Finance International  
Union Bank of Switzerland (Securities) Limited

Arab Banking Corporation (B.S.C.)  
Bank of America International Limited  
Banque Bruxelles Lambert S.A.  
Baring Brothers & Co., Limited  
Creditanstalt-Bankverein  
Dai-ichi Kangyo International Limited  
First Interstate Capital Markets Limited  
Generale Bank  
Hongkong Bank Limited  
Kleinwort, Benson Limited  
Manufacturers Hanover Limited  
Mitsui Trust Bank (Europe) S.A.  
Morgan Grenfell & Co. Limited  
The Nikko Securities Co., (Europe) Ltd.  
Paribas Limited  
Sanwa International Limited  
J. Henry Schroder Wagg & Co. Limited  
Takugin International Bank (Europe) S.A.  
Westpac Banking Corporation  
Yamaichi International (Europe) Limited

The above-named (the "Managers") have, pursuant to a Subscription Agreement dated 13th November, 1985 (the "Subscription Agreement"), jointly and severally agreed with the Bank, subject to the satisfaction of certain conditions, to procure subscribers (and in default thereof to subscribe) for the Notes at a price of 100 per cent. of the principal amount of the Notes for a selling group commission of 0.05 per cent. of the principal amount of the Notes (plus United Kingdom Value Added Tax ("VAT") where applicable). The Subscription Agreement will provide for the payment to the Managers of a combined management and underwriting commission of 0.20 per cent. of the principal amount of the Notes (plus VAT where applicable) for their services in connection with the issue of the Notes. In addition, the Bank will agree to reimburse Lloyds Merchant Bank Limited for certain expenses incurred by it in connection with the issue. The Subscription Agreement will entitle the Managers to be released and discharged from their obligations in respect of the subscription of the Notes in certain circumstances prior to payment to the Bank.

The Managers, on behalf of the Bank, have invited certain banks, brokers and dealers (the "Selling Group") to subscribe Notes at a price of 100 per cent. of the principal amount of the Notes for a selling group commission of 0.05 per cent. of such principal amount (plus VAT where applicable).

The Notes have not been and will not be registered under the Securities Act of 1933 of the United States of America. Accordingly, the Notes may not be offered or sold, directly or indirectly, in the United States or to any U.S. person as part of the distribution of the Notes. Any offers or sales of any of the Notes in the United States or to U.S. persons prior to the Exchange Date (as defined below) may violate United States laws. Notwithstanding the expiration of such period, any offers or sales of Notes in the United States or to U.S. persons must be made in compliance with the registration requirements of the Securities Act of 1933 of the United States of America or pursuant to an exemption therefrom. Neither the Bank nor any of the Managers makes any representation in respect of, or has assumed any responsibility for, the availability of any such exemption and they do not make any representation as to when, if at any time, the Notes may lawfully be sold in the United States or to U.S. persons.



Each Manager and each subscriber will represent and agree that (A) in connection with the distribution of the Notes it is not acquiring any Notes for the account of any U.S. person and it has not offered or sold and will not offer or sell any Notes to be subscribed by it, directly or indirectly, in the United States or to any U.S. person (except a member of the Selling Group in its capacity as a dealer) and (B) it will not, as principal or agent, offer or sell, directly or indirectly, any Notes, otherwise acquired, in the United States or to any U.S. person prior to the Exchange Date.

Each Manager and each subscriber will further agree that it will deliver to each dealer that purchases any Notes subscribed by it pursuant to the Selling Agreement a written confirmation setting forth the restrictions on offers and sales of the Notes in the United States or to U.S. persons. A description of such restrictions is contained in the Selling Agreement.

The Notes will initially be represented by a single temporary global note (the "Temporary Global Note"), 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 Euro-clear System ("Euro-clear"), and CEDEL S.A. on or about 21st November, 1985. The Temporary Global Note will be exchangeable for definitive Notes, which will be in bearer form in the denomination of U.S. \$10,000 each with Coupons attached, not earlier than the date 90 days after completion of the distribution of the Notes, as determined by Lloyds Merchant Bank Limited (the "Exchange Date"). On and after the Exchange Date, definitive Notes may be obtained from Euro-clear or CEDEL S.A. upon presentation of a certificate in the form set out in the Trust Deed that the beneficial owner thereof is not a U.S. person. Any interest payable on the Temporary Global Note before the Exchange Date will be paid to Euro-clear or, as the case may be, CEDEL S.A., which will credit to the account of a person entitled to receive a definitive Note as shown by its records the amount of interest due on the Note but only upon receipt of a certificate in the form set out in the Trust Deed, not earlier than 15 days prior to the relevant Interest Payment Date, to the effect that the beneficial owner of the Note is not a U.S. person. The Temporary Global Note will provide that from the day next following the Exchange Date definitive Notes not exchanged as aforesaid will be held on behalf of Euro-clear and CEDEL S.A. at the risk and cost of the person entitled to delivery thereof.

As used herein, "United States" means the United States of America, its possessions, territories and all areas subject to its jurisdiction; "U.S. person" means any person who is a national or resident of the United States (including corporations, partnerships or other entities created in or organised under the laws of the United States or any political subdivision thereof or any estate or trust which is subject to United States federal income taxation regardless of the source of its income); and "U.S. dollars" and "U.S.\$" refer to United States dollars.

*The Conditions of the Notes will appear on each Note substantially in the following form:*

#### CONDITIONS OF THE NOTES

The 50,000 Notes, serially numbered, comprising the U.S.\$500,000,000 Primary Capital Undated Floating Rate Notes (Series 2) (the "Notes") of Lloyds Bank Plc (the "Bank") are constituted by a trust deed dated 21st November, 1985 (the "Trust Deed") between the Bank (1) and The Law Debenture Corporation p.l.c., as trustee (the "Trustee") (2). The Trustee acts as trustee for the holders of the Notes (the "Noteholders") in accordance with the provisions of the Trust Deed. Copies of the Trust Deed are available for inspection at the registered office for the time being of the Trustee (presently at Estates House, 66 Gresham Street, London EC2V 7HX) and at the specified offices of each of the Paying Agents referred to below. The Noteholders 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 the provisions contained in the Trust Deed.

##### 1. Title and Denomination

The Notes are in the denomination of U.S.\$10,000 each. Title to the Notes, and to the coupons including the talon for further coupons (together where the context so permits "Coupons") appertaining thereto, will pass by delivery. The bearer of any Note 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 notice of ownership or writing thereon) and for all other purposes whether or not such Note or Coupon shall be overdue.

##### 2. Status and Subordination

The Notes and Coupons constitute unsecured obligations of the Bank, conditional as described below, and rank *pari passu* without any preference among themselves.

The rights of the Noteholders and Couponholders are subordinated to the claims of Senior Creditors (as defined below) and accordingly payments of principal and interest are conditional upon the Bank being solvent at the time of payment by the Bank and no principal or interest shall be payable in respect of the Notes except to the extent that the Bank could make such payment and still be solvent immediately thereafter. For the purpose of this Condition the Bank shall be solvent if (i) it is able to pay its debts as they fall due and (ii) its Assets exceed its Liabilities (other than its Liabilities to persons who are not Senior Creditors). A report as to the solvency of the Bank by two directors of the Bank or, in certain circumstances as provided in the Trust Deed, the auditors of the Bank or, if the Bank is in winding-up, its liquidator shall in the absence of proven error be treated and accepted by the Bank, the Trustee and the Noteholders and Couponholders as correct and sufficient evidence thereof.

If at any time an order is made or an effective resolution is passed for the winding-up in England of the Bank, there shall be payable on each Note (in lieu of any other payment), but subject as provided in this Condition, such amount, if any, as would have been payable to the holder thereof if, on the day prior to the commencement of the winding-up and thereafter, such Noteholder were the holder of a preference share in the capital of the Bank (ranking *pari passu* with the Cumulative Floating Rate Preference Share of £1 in the capital of the Bank) having a preferential right to a return of assets in the winding-up over the holders of all issued shares for the time being in the capital of the Bank on the assumption that such preference share was entitled to receive on a return of assets in such winding-up an amount equal to the principal amount of such Note together with Arrears of Interest (as defined in Condition 3(B)), if any, and any accrued interest (other than Arrears of Interest) up to (but excluding) the date of repayment (as provided in the Trust Deed) in respect thereof.

For the purposes of these Conditions, "Senior Creditors" means creditors of the Bank (i) who are depositors or other unsubordinated creditors of the Bank or (ii) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up of the Bank or otherwise) to the claims of depositors and other unsubordinated creditors of the Bank but not further or otherwise or (iii) who are subordinated creditors of the Bank other than those whose claims are, or are expressed to rank, *pari passu* with, or junior to, the claims of the Noteholders; "Assets" means the unconsolidated gross assets of the Bank; and "Liabilities" means the unconsolidated gross liabilities of the Bank, all as shown by the latest published audited balance sheet of the Bank, but adjusted for contingent assets and contingent liabilities and for subsequent events, all in such manner as such directors, the auditors or the liquidator (as the case may be) may determine.

*N.B. The obligations of the Bank in respect of the Notes and the Coupons are conditional upon the Bank being solvent for the purpose of this Condition immediately before and after payment by the Bank. If this condition is not satisfied, any amounts which might otherwise have been allocated in or towards payment of principal and interest in respect of the Notes may be used to absorb losses.*



### 3. Interest

#### (A) *Period of Accrual of Interest and Coupons*

The Notes bear interest from the Issue Date (which expression means 21st November, 1985 or, if payment to the Bank is deferred as permitted in the Subscription Agreement referred to above, such later date as shall be the date on which payment to the Bank is made, being not later than 29th November, 1985) and interest payments will be made against surrender of the appropriate Coupons in accordance with and subject to the provisions of Condition 5. Interest on each Note shall cease to accrue from the date for redemption thereof unless, upon due presentation, payment of principal is improperly withheld or refused or is not made by reason of Condition 2. After such date for redemption any unmatured Coupons (which expression shall mean Coupons maturing on Interest Payment Dates falling after the due date of redemption but, for the avoidance of doubt, shall not include Coupons maturing on Interest Payment Dates falling on or before such due date in respect of which interest has not been paid by the Bank) relating to such Note (whether or not attached thereto) shall become void. After all the Coupons attached to or issued in respect of a Note have matured further Coupons and one further talon will (subject to Condition 8) be issued against presentation of the relevant talon.

#### (B) *Interest Payment Dates, Interest Periods and Arrears of Interest*

Interest on the Notes shall accrue from day to day and shall (subject to Condition 2) be payable on each Compulsory Interest Payment Date (as defined below) in respect of the interest accrued in the Interest Period (as defined below) ending on the day immediately preceding such date. On any Optional Interest Payment Date (as defined below) there may be paid (if the Bank so elects and gives not less than 30 days' notice of such election to the Noteholders in accordance with Condition 12) the interest accrued in the Interest Period ending on the day immediately preceding such date, but the Bank shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Bank for any purpose. Any interest not paid on an Interest Payment Date together with any other interest not paid on any other Interest Payment Date shall, so long as the same remains unpaid, constitute

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"Arrears of Interest". Arrears of Interest may, at the option of the Bank, be paid in whole or in part at any time upon the expiration of not less than seven days' notice to such effect given to the Noteholders in accordance with Condition 12, but all Arrears of Interest on all Notes outstanding shall (subject to Condition 2) become due in full on whichever is the earliest of (i) the date upon which a dividend is next paid on any class of share capital of the Bank, (ii) the date set for any redemption pursuant to Condition 4(a) or 4(b) or (iii) the commencement of winding-up of the Bank. If notice is given by the Bank of its intention to pay the whole or part of Arrears of Interest, the Bank shall be obliged (subject to Condition 2) to do so upon the expiration of such notice. Arrears of Interest shall not themselves bear interest.

For the purposes hereof the expressions following have the following meanings:-

"Interest Payment Date" means the date falling three calendar months after the Issue Date and thereafter each date which falls three calendar months after the immediately preceding Interest Payment Date. If, determined on the relevant Interest Determination Date (as defined below), any Interest Payment Date would otherwise fall on a day which is not a business day, it shall be postponed to the next day which is a business day unless it would thereby fall in the next calendar month. In the latter event the Interest Payment Date shall be the immediately preceding day which is a business day. If for any reason an Interest Payment Date is so determined by the Agent Bank (as described in paragraph (F) below) to be or to be deemed to be the last business day of any calendar month all subsequent Interest Payment Dates shall (subject as provided below) be the last business day of each February, May, August and November. If, however, after the determination of an Interest Payment Date the same is declared or determined not to be a business day, then that Interest Payment Date will be re-determined on the above basis (*mutatis mutandis*) except that, if such re-determination falls to be made 14 days or less before that Interest Payment Date as originally determined, then that Interest Payment Date as re-determined will be postponed to the next day which is a business day even though such business day may fall in the next calendar month. Subsequent Interest Payment Dates will in the latter event nevertheless be determined as if that re-determined Interest Payment Date had fallen on the last business day of the month in which it was originally determined to fall.

"Compulsory Interest Payment Date" means any Interest Payment Date if, in the immediately preceding six calendar months, any dividend has been declared or paid on any class of share capital of the Bank.

"Optional Interest Payment Date" means any Interest Payment Date other than a Compulsory Interest Payment Date.

"Interest Period" means the period from and including one Interest Payment Date (or the Issue Date) to but excluding the next (or first) Interest Payment Date.

"business day" means (but not for Condition 5(B)) a day on which banks and foreign exchange markets are open for business in both London and New York City.

#### (C) *Rate and Amount of Interest*

The rate of interest from time to time payable in respect of the Notes (the "Rate of Interest") shall be determined by the Agent Bank on the basis of the provisions below:-

- (i) On each "Interest Determination Date", namely the second business day prior to the commencement of the Interest Period for which such rate will apply, the Agent Bank will request the principal London offices of the Reference Banks (as described in paragraph (F) below) to provide the Agent Bank with their offered quotations to leading banks for deposits of U.S. dollars in the London Interbank Market for the Interest Period concerned as at 11.00 a.m. (London time) on the Interest Determination Date in question. The Rate of Interest for such Interest Period shall be 3/16 per cent. per annum above the mean (rounded if necessary to the nearest 1/16 per cent., 1/32 per cent. being rounded upwards) of the offered quotations of three out of the five quoting Reference Banks (excluding, if all such quotations are not the same, the quotations provided by the Reference Banks with the highest and lowest offered quotations and, if more than one Reference Bank provides the highest such quotation, the quotation of one such Reference Bank shall be excluded and similarly if more than one Reference Bank provides the lowest such quotation), as determined by the Agent Bank.
- (ii) If on any Interest Determination Date only four of the Reference Banks provide the Agent Bank with such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with (i) above on the basis of the mean of the offered quotations of those Reference Banks providing such quotations (excluding two such quotations on the basis set out in (i) above).
- (iii) If on any Interest Determination Date only three of the Reference Banks provide the Agent Bank with such quotations, the Rate of Interest shall be determined in accordance with (i) above on the basis of the mean of the offered quotations of all the quoting Reference Banks (without any exclusion as aforesaid).



- (iv) If on any Interest Determination Date less than three of the Reference Banks provide the Agent Bank with such quotations, the Rate of Interest for the relevant Interest Period shall be the Rate of Interest in effect on the last day of the immediately preceding Interest Period, Provided that (1) if on any day during the relevant Interest Period the Agent Bank determines that at least three of the Reference Banks are quoting offered rates for three months U.S. dollar deposits to leading banks in the London Interbank Market, then the Agent Bank shall determine a new Rate of Interest (the "Substituted Rate") by application (*mutatis mutandis*) of the provisions set out in (i), (ii) or (iii) above, as the case may be, and (2) the Rate of Interest originally applicable to such Interest Period shall apply in respect of such Interest Period from and including the first day thereof up to but excluding the second business day after the day upon which the Substituted Rate is determined and the Substituted Rate shall apply from and including such second business day up to but excluding the next Interest Payment Date.
- (v) Interest on the Notes shall be calculated on the basis of the actual number of days in the period concerned divided by 360.
- (vi) The determination by the Agent Bank of the Rate of Interest shall (in the absence of manifest error) be final and binding upon all parties.

(D) **Publication of Rate and Amount of Interest**

As soon as possible after each such determination, but in any event not later than the fourth business day thereafter, the Agent Bank shall cause each Rate of Interest (including any Substituted Rate), together with the amount of interest payable in respect of each Note (rounding to the nearest cent, half a cent being rounded upwards) for the relevant Interest Period and the relevant Interest Payment Date, to be notified to any stock exchange upon which the Notes are for the time being listed or quoted, and published in accordance with Condition 12. The amount and date so published may subsequently be amended and appropriate arrangements made by way of adjustment without notice in the event of an extension or shortening of the Interest Period.

(E) **Determination of Rate of Interest by Trustee**

The Trustee shall (if the Agent Bank does not at any relevant time determine the Rate of Interest) determine the Rate of Interest at such rate as, in its absolute discretion (but having such regard to the provisions of this Condition 3 as it shall consider appropriate), it shall deem fair and reasonable in all the circumstances and such determination shall be deemed to be a determination thereof by the Agent Bank.

(F) **Agent Bank and Reference Banks**

The Bank shall procure that so long as any of the Notes remains outstanding there shall for the purposes of the Notes at all times be an Agent Bank and five Reference Banks, each having a branch in London. The initial Reference Banks shall be Citibank, N.A., Crédit Lyonnais, International Westminster Bank PLC, Morgan Guaranty Trust Company of New York and Swiss Bank Corporation, and the initial Agent Bank shall be The Chase Manhattan Bank, N.A., but if any such bank is unable or unwilling to continue to act, the Bank shall appoint such other bank as may be approved by the Trustee to act as such in its place.

4. **Redemption**

The Bank shall not be at liberty to redeem the Notes except in accordance with the following provisions of this Condition:—

(a) **Redemption for Taxation Reasons**

If the Bank satisfies the Trustee immediately prior to the giving of the notice referred to below that, on the next Interest Payment Date or if the Bank were to seek to redeem the Notes, the Bank would, for reasons outside its control, be unable (after making such endeavours as the Trustee shall consider reasonable) to make such payment or redemption without having to pay additional amounts as provided or referred to in Condition 6, the Bank may at its option (subject to Condition 2), having given not less than 30 nor more than 45 days' notice to the Noteholders, redeem all, but not some only, of the Notes at their principal amount plus Arrears of Interest (if any) and any accrued interest (other than Arrears of Interest) up to (but excluding) the date of redemption.

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 (a), 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 or amendment to the laws (including any regulations pursuant thereto) of the United Kingdom, which at the date of such certificate is proposed and which in the opinion of such lawyer or accountant is reasonably expected to become effective on or prior to the date on which the relevant payment of principal or interest in respect of the Notes would otherwise be made, becoming so effective, such circumstances would exist.

(b) **Optional Redemption**

On giving not more than 60 nor less than 30 days' notice to the Trustee and to the Noteholders in accordance with Condition 12, the Bank may on any Interest Payment Date falling in or after November 1990, redeem all the Notes or some only of the Notes, in each case at their principal amount. Upon the expiration of such notice the Bank shall (subject to Condition 2) be bound to redeem such Notes at their principal amount together with all Arrears of Interest as provided in Condition 3(B).

(c) **Purchases**

The Bank or any of its subsidiaries may at any time purchase Notes on The Stock Exchange in London or by tender (available to all Noteholders alike) or by private treaty. In the case of purchases on The Stock Exchange in London or by tender, the price, exclusive of expenses and accrued interest, will not exceed the average of the middle market quotations of the Notes taken from The Stock Exchange Daily Official List for the 10 business days before the purchase is made or, in the case of a purchase on The Stock Exchange in London, the market price provided that it is not more than 5 per cent. above such average. In the case of purchases by private treaty, the price, exclusive of expenses and accrued interest, will not exceed 110 per cent. of the middle market quotation of the Notes on The Stock Exchange in London (or, failing such quotation, by reference to such other quotation as may be agreed between the Bank and the Trustee) at the close of business on the last dealing day preceding the date of purchase. In each case purchases will be made together with all unmatured Coupons relating thereto.

(d) **Cancellation**

All Notes which are (i) redeemed or (ii) purchased for its own account (otherwise than in the ordinary course of a business of dealing in securities) by or on behalf of the Bank or any subsidiary of the Bank may not be reissued or resold and shall in due course be cancelled, together with all unmatured Coupons attached thereto or surrendered therewith.

(e) **Drawings**

In the case of a partial redemption pursuant to paragraph (b) of this Condition, Notes to be redeemed will be selected individually by lot and otherwise in a manner approved by the Trustee not more than 60 days prior to the date fixed for redemption and a list of Notes called for redemption will be published in accordance with Condition 12 not more than 60 days nor less than 30 days prior to such date.



## 5. Payments

- (A) Payment of principal and interest in respect of Notes will (subject to Condition 2) be made against presentation and surrender of the relevant Note or Coupon at the specified office of any of the Paying Agents, by dollar cheque drawn on, or by transfer to a dollar account maintained by the payee with, a bank in New York City, subject in all cases to any fiscal or other laws and regulations applicable to the Bank or the holder of the Note or Coupon in respect of such payment but without prejudice to the provisions of Condition 6. Without prejudice to the generality of the foregoing, the Bank reserves the right to require a Noteholder or Couponholder to provide a Paying Agent with such certification or information as may be required to enable the Bank to comply with the requirements of the United States federal income tax laws. If any payment is to be made in respect of interest, the Interest Payment Date for which falls on or after the date on which the winding-up of the Bank is deemed to have commenced, such payment shall be made only against presentation of the relevant Note and the Coupon for any such Interest Payment Date shall be void. Each Note presented for redemption must be presented together with all unmatured Coupons appertaining thereto. In addition, any Note presented for payment after the commencement of the winding-up of the Bank must be presented together with all Coupons in respect of Arrears of Interest, failing which there shall be withheld from any payment otherwise due to the Noteholder such proportion thereof as the Arrears of Interest due in respect of any such missing Coupon bears to the total of the principal amount of the relevant Note, all Arrears of Interest in respect thereof and interest (other than Arrears of Interest) accrued on such Note in respect of the Interest Period current at the date of the commencement of the winding-up.
- (B) If the date for payment of any amount of principal or interest in respect of any Note 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 of the amount payable until the next following day which is a business day at that place of payment and the holder 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 (in the case of payment by transfer to a dollar account as referred to in Condition 5(A)) on which dealings in foreign currency may be carried on both in New York City and in such place of payment.
- (C) The initial Paying Agents and their initial specified offices are set out below. The Bank reserves the right, subject to the approval of the Trustee, 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 Notes are listed on The Stock Exchange in London, shall be in London. In addition, the Bank will, if so required by the Trustee, appoint a Paying Agent having a specified office in New York City if (i) the Bank shall have appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the full amount of interest on the Notes (to persons so entitled under applicable local law) in dollars when due, (ii) payment of the full amount of such interest by all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions, (iii) the Bank does not within a reasonable period (as determined by the Trustee) appoint a Paying Agent in a jurisdiction where such payment is not illegal or so precluded, and (iv) such payment is then permitted by United States law. Notice of any such termination or appointment and of any changes in the specified offices of the Paying Agents will be given to the Noteholders in accordance with Condition 12. 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.

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(Continued on Card 2)

CARD 2 (See also Cards 1 and 3)

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**LLOYDS BANK PLC**

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*(Incorporated in England with limited liability  
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## 6. Taxation

All payments of principal and/or interest in respect of Notes 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 Notes and/or, as the case may be, Coupons; except that no such additional amounts shall be payable with respect to any Note or Coupon presented for payment:—

- (a) by or on behalf of any holder who is liable to such tax, duty or charge in respect of such Note or Coupon by reason of such holder having some connection with the United Kingdom other than the mere holding of such Note or Coupon; or
- (b) 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.

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 due date) the date on which notice is given to the Noteholders that such moneys have been so received.

Any reference in these Conditions to the principal and/or interest in respect of the Notes 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 in respect of the Notes (in the case of any payment of principal) for a period of seven days or more after the due date for the same or (in the case of any payment of interest) for a period of 14 days or more after a Compulsory Interest Payment Date or any other date upon which the payment of interest is compulsory, 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 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 given as to such validity or applicability at any time during the said period of seven or 14 days, as the case may be, by independent legal advisers acceptable to the Trustee. For the purpose of this paragraph a payment shall be deemed to be due or compulsory even if the condition set out in Condition 2 is not satisfied.
- (B) The Trustee shall not be bound to take the action referred to in paragraph (A) above to enforce the obligations of the Bank in respect of the Notes and Coupons unless (i) it shall have been so requested by an Extraordinary Resolution of the Noteholders or in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding and (ii) it shall have been indemnified to its satisfaction.
- (C) No Noteholder or Couponholder shall be entitled to proceed directly against the Bank unless the Trustee, having become bound so to proceed after 1st June, 1986, fails to do so in which case the Noteholder or Couponholder shall have only such rights against the Bank as those which the Trustee is entitled to exercise. No Noteholder 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, 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 in respect of his Notes and Coupons. No remedy against the Bank, other than the institution of proceedings for the winding-up of the Bank in England, shall be available to the Trustee or the Noteholders or Couponholders whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Bank of any of its obligations under the Trust Deed or the Notes (other than for recovery of the Trustee's remuneration or expenses). The Bank will undertake 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 or Luxembourg stamp and other duties or taxes (if any) on the original issue and constitution of Notes in temporary or definitive form (provided such stamp and other duties or taxes result from laws applicable on the date falling 90 days after completion of the distribution of the Notes, as determined by Lloyds Merchant Bank Limited (the "Exchange Date")) or stamp or other duties or taxes payable in England (but not elsewhere), solely by virtue of and in connection with any permissible proceedings under the Trust Deed or the Notes but 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 the definitive Notes or Coupons appertaining thereto (other than as aforesaid) after the Exchange Date are the liability of the holders thereof.

## **8. Prescription**

Notes and Coupons (excluding for this purpose talons) will become void unless presented for payment within a period of 12 years in the case of Notes and six years in the case of Coupons respectively from the Relevant Date (as defined in Condition 6) relating thereto. The prescription period in respect of talons shall be:

- (a) as to any talon the original due date for exchange of which falls within the 12 years immediately prior to the due date for redemption (pursuant to Condition 4(a) or 4(b)) of the Note to which it pertains, six years from the Relevant Date for the redemption of such Note, but so that the Coupon sheet for which it is exchangeable shall be issued without any Coupon itself prescribed in accordance with this Condition 8 or the Relevant Date for payment of which would fall after the Relevant Date for the redemption of the relevant Note and without a talon; and
- (b) as to any other talon, 12 years from the Relevant Date for payment of the last Coupon of the Coupon sheet of which it formed part.

## **9. 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 of its subsidiaries without accounting for any profit resulting therefrom.

## **10. Meetings of Noteholders, Modifications, Waiver and Substitution of Principal Debtor**

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including any modification of the terms and conditions of the Notes and the provisions of the Trust Deed, provided that certain provisions (including, *inter alia*, the terms concerning the currency, amount and due dates of payment of interest or principal in respect of the Notes, 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 Noteholders) may only be modified at a meeting of Noteholders for which special quorum provisions apply. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not, and on all Couponholders.

The Trustee may agree, without the consent of the Noteholders or the Couponholders, to any modification (except as aforesaid) of, or to any waiver or authorisation of any breach or proposed breach of, any provision of the Trust Deed which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification to correct a manifest error. Unless the Trustee agrees otherwise, any modification shall be notified to the Noteholders in accordance with Condition 12 as soon as practicable thereafter.

The Trustee may also agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution, subject to the Notes and the Coupons being unconditionally and irrevocably guaranteed by the Bank on a subordinated basis equivalent to that mentioned in Condition 2, of a subsidiary of the Bank in place of the Bank as principal debtor under the Trust Deed, the Notes and the Coupons and so that the claims of the Noteholders and the Couponholders may, in the case of the substitution of a banking subsidiary (as defined in the Trust Deed) of the Bank in the place of the Bank, be subordinated to the rights of Senior Creditors (as defined in Condition 2, but with the substitution of references to "that subsidiary" in place of references to "the Bank") of that subsidiary.



In the case of a substitution pursuant to this Condition the Trustee may in its absolute discretion agree, without the consent of the Noteholders or Couponholders, to a change of the law governing the Notes, the Coupons 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 Noteholders.

In connection with any proposed substitution as aforesaid, the Trustee shall not have regard to the consequences of such substitution for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Noteholder or Couponholder shall, in connection with any such substitution, be entitled to claim from the Bank any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders or Couponholders except to the extent already provided for by Condition 6 (as from time to time amended).

#### 11. Replacement of Notes and Coupons

Should any Note 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 as the Bank may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

#### 12. Notices

All notices regarding the Notes will be valid if published in one leading London daily newspaper or, if, in the opinion of the Trustee, this is not practical, in one other leading English language daily newspaper which is approved by the Trustee and having 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 practical 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. It is expected that publication of notices will normally be made in the *Financial Times*.

#### 13. Governing Law

The Trust Deed, the Notes and the Coupons are governed by and construed in accordance with English law.

#### PRINCIPAL PAYING AGENT

The Chase Manhattan Bank, N.A.,  
Woolgate House,  
Coleman Street,  
London EC2P 2HD

#### PAYING AGENTS

Banque Bruxelles Lambert S.A.,  
24 Avenue Marnix,  
B-1050 Brussels

Chase Manhattan Bank  
Luxembourg S.A.,  
47 Boulevard Royal,  
Luxembourg

#### USE OF PROCEEDS

The net proceeds of the issue, which are estimated to amount to approximately U.S.\$498,600,000, will be employed in the general business of the Bank and its subsidiaries.

#### THE LLOYDS BANK GROUP

The Bank and its subsidiaries (the "Group") provide a comprehensive range of domestic and international banking and financial services. The Group is represented in 50 countries. At 31st December, 1984 the total assets of the Group were £44 billion, of which the Bank contributed £18 billion.

The Group conducts its domestic (U.K.) retail and commercial banking and financial services operations through a network of nearly 2,700 branches and offices in the U.K., of which nearly 2,300 relate to the Bank's domestic banking activities. The Group's services include deposit and lending facilities, transmission of funds, foreign exchange and money market operations, equipment leasing, instalment finance, factoring, executor and trustee services, merchant banking, credit card operations, insurance broking, share registration services, financial futures trading and an estate agency network.

Merchant banking activities are carried out by Lloyds Merchant Bank Limited. They include capital markets, corporate finance, development capital, export and project finance, and investment management services.

The Bank's international banking division conducts its worldwide business through over 500 offices, principally of Lloyds Bank International Limited ("LBI") and its subsidiaries, together with those of certain overseas subsidiaries of the Bank, including Lloyds Bank California and The National Bank of New Zealand Limited.

Although no decision has yet been made, it is expected that, pursuant to the Lloyds Bank (Merger) Act, 1985, the merger of the United Kingdom and United States businesses of LBI with that of the Bank will become effective on 1st January, 1986. The merger of the other LBI businesses is also expected to take place on or as soon as practical after that date.

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#### DIRECTORS OF THE BANK

The Directors of the Bank, the address of each of whom is 71 Lombard Street, London EC3P 3BS, their respective functions within the Group and their respective principal outside activities, where significant to the Bank and its subsidiaries, are as follows:—

Name and Address	Function within the Group	Principal Outside Activity
Sir Christopher Jeremy Morse KCMG	Chairman, Deputy Chairman of Lloyds Bank International Limited	—
Sir John Lindsay Alexander	Deputy Chairman, Chairman of Lloyds Bank International Limited	—
Sir John Hedley Greenborough KBE, LLD	Deputy Chairman	—

Norman William Jones CBE, TD	Deputy Chairman	—
Arthur John Davis RD	Vice-Chairman	—
The Rt. Hon. Robert Andrew Inskip Viscount Caldecote DSC, F.Eng	Director	Chairman, Investors in Industry Group plc
Frederick William Crawley	Director and Deputy Chief Executive	—
George Duncan	Director. Chairman of Lloyds and Scottish Plc	—
The Rt. Hon. James Edward Lord Hanson	Director	Chairman, Hanson Trust Plc
Sir Gordon Ivan Hobday LLD	Director	Chairman, Central Independent Television Limited
Sir John Robin Ibbs	Director	Director, Imperial Chemical Industries PLC
Geoffrey Charles Kent	Director	Chairman, Imperial Group p.l.c.
Sir Peter Alec Matthews AO	Director	—
Brian Ivor Pitman	Director and Chief Executive	—
Sir Charles Henry Plumb DL	Director	Chairman of the European Democratic Group
John Michael Raisman CBE	Director	—
The Hon. Sir Peter Edward Ramsbotham GCMG, GCVO	Director	—
Eric Yvon Whittle	Director	—

### CAPITALISATION OF THE BANK AND ITS SUBSIDIARIES

The consolidated capitalisation of the Bank and its subsidiaries as at 31st October, 1985, as adjusted for the Notes now being issued, is as follows:—

	£m
<b>SHARE CAPITAL AND RESERVES</b>	
Authorised — 450,000,000 Ordinary Shares of £1 each and 1 Cumulative Floating Rate Preference Share of £1	450
Issued and fully paid — Ordinary Shares	354
Reserves	1,752
<b>Total</b>	<b>2,106</b>
<b>MINORITY INTERESTS</b>	<b>14</b>
<b>LOAN CAPITAL</b>	
<i>The Bank</i>	
Variable Rate Subordinated Unsecured Loan Stock 1986	1
U.S.\$20m 9% Subordinated Notes due 1989	9
U.S.\$750m Primary Capital Undated Floating Rate Notes	519
The Notes now being issued	346
<i>Lloyds Eurofinance N. V.</i>	
Guaranteed Sterling/U.S. Dollar Payable Floating Rate Notes due 1990	50
U.S.\$100m Guaranteed Floating Rate Notes due 1992	69
U.S.\$200m Guaranteed Floating Rate Notes due 1993	138
U.S.\$100m 11½% Guaranteed Bonds due 1994	69
£200m Guaranteed Floating Rate Notes due 1996	200
U.S.\$250m Guaranteed Floating Rate Notes due 2004	173
<i>Lloyds First Western Corporation</i>	
U.S.\$40m 8 7/8% Promissory Notes due October 1, 1994	22
<i>Lloyds Bank California</i>	
U.S.\$12.5m 4 7/8% Capital Notes due August 15, 1989	2
<i>Cedar Holdings Limited</i>	
9.17% Debenture Stock 1989	1
10.25% Debenture Stock 1996	5
<b>Total</b>	<b>1,604</b>
<b>Total Capitalisation</b>	<b>3,724</b>

#### Notes:—

- Share Capital and Reserves are shown as at 30th June, 1985.
- Between 1st July and 11th November, 1985 (the latest practicable date prior to the printing of this document) a total of 207,966 Ordinary Shares of £1 each have been issued under the staff savings-related share option and the senior executives' share option schemes and under the staff profit sharing schemes at prices ranging between £1.48 and £3.57. There has been no material change in the authorised or issued share capital of the Bank since 30th June, 1985.
- The debenture stocks of Cedar Holdings Limited are secured by a floating charge on advances to certain customers.
- Most of the loan capital shown above as having a maturity is subject to repayment by periodical instalments. The figures on the right hand side of the table represent in pound sterling terms the amounts outstanding. Where repayment is due in instalments, the year shown is that in which the final instalment falls due.
- Loan capital denominated in U.S. dollars has been translated at the rate of £1 = U.S.\$1.4460.
- There has been no material change in the loan capital of any member of the Group since 31st October, 1985.



## LLOYDS BANK GROUP RESULTS FOR THE HALF-YEAR ENDED 30th JUNE 1985

The following is an extract from a press announcement issued by the Bank on 2nd August, 1985:—

### Summary of Key Figures (Unaudited)

	6 months ended 30th June, 1985	6 months ended 30th June, 1984	12 months ended 31st December, 1984
Profit before tax	£264m	£210m	£468m
Profit after tax	£141m	£102m	£237m
Post-tax return on average total assets	0.64%	0.49%	0.55%
Post-tax return on average equity	13.5%	10.9%	12.1%
Earnings per £1 Ordinary Share	40p	28p	65p
Dividends per £1 Ordinary Share	7.5p	6.3p	17.7p

### Dividend

The Directors of Lloyds Bank Plc have declared an interim dividend on account of the year ending 31st December, 1985 of 7.5p per £1 ordinary share (1984: 6.3p adjusted for the subsequent one for two capitalisation issue) payable on 1st October, 1985 to shareholders registered on 2nd September, 1985. With the related tax credit the payment is equivalent to a gross dividend of 10.7p (1984: 9.0p).

### Comment by Sir Jeremy Morse, Chairman of Lloyds Bank Plc

When announcing the half-year's results, the Chairman, Sir Jeremy Morse, said:

"In the past half-year, competition and the volatility of markets have both intensified, and we have again made substantial provisions for bad and doubtful debts. Despite this, we have improved our earnings; and with the growth of costs contained, and a lower tax rate, we can both raise the dividend and further strengthen our capital ratios from retained profits."

### COMMENTARY ON RESULTS

In this announcement of the Group's results for the first half of 1985, there is a change of emphasis towards profit *after tax*. It is the post-tax figure which matters most, because it is both the source of retained profit to finance future growth of our business and the source of dividends paid to shareholders. Hitherto, in the UK, the tax charge has been affected by the low level of provisions for deferred taxation. The effect of the 1984 Finance Act has been to remove this distortion: we are now making full provision for deferred taxation for current leasing business, and so we intend to focus on the post-tax figure in the publication of future results.

### Profits

Consistent application of our policy of concentrating our resources on high potential markets, where we can be among the best, and redeploying assets away from less advantageous activities, continues to produce good results. Above all, the results reflect a continuing emphasis on profitability rather than volume growth. While earnings per share grew by 43% compared with a year ago, the volume of average total assets grew by only 7%.

Profit after tax in the first half of 1985 rose to £141 million, 38% higher than in the first half of 1984, reflecting an increase of £54 million (26%) in profit before tax and a lower effective rate of tax. Post-tax return on assets improved to 0.64% from 0.49% and return on equity rose to 13.5% from 10.9%.

The main source of this improvement was an increase of £116 million in total income, up 12% on the first half of 1984. Net interest income, the most important component of earnings, grew by 12%. About half of this increase came from improved margins; despite strong competition for deposits and the introduction of composite rate tax in the U.K. pushing up the costs of funds, the net interest margin rose to 3.42% from 3.26% a year ago. Other operating income was up 13%, helped by an expansion of fee-earning services, including estate agency, share registration and merchant banking.

Partially offsetting these income gains was a higher charge for provisions for bad and doubtful debts compared with the first half of 1984. The balance of provisions at the end of the half-year totalled £645 million, up by £46 million on a year ago and representing 2.15% of customer lending.

The rate of increase in operating expenses was lower than in any of the previous five years. Our cost ratios are continuing to improve, despite substantial expenditure on the expansion of our business and in the application of technology.

A combination of a lower rate of U.K. corporation tax and a lower level of general provisions for bad and doubtful debts produced a welcome reduction in the effective rate of tax. In the first half of 1985, tax took 47% of profit compared with 51% a year earlier; but the effective rate of tax remains much higher than we experienced prior to the 1984 Finance Act.

Present indications are that a satisfactory level of post-tax earnings can be sustained during the second half of the year, subject to there being no sharp setback in the U.K. or international economy.

### Domestic

Despite intensifying competition, both from traditional sources and from new entrants to the market, the profitability of our business at home continues to improve. In the first half of 1985 domestic profit after tax rose 36% to £103 million from £76 million a year ago, and return on assets after tax improved to 1.16% from 0.93%. Pre-tax profit rose 33% to £175 million. There was again a strong performance from domestic banking and an improved contribution from Lloyds and Scottish.

In the clearing bank, average non-interest bearing current account balances increased by 4% compared with the first half of 1984; although 7 day deposits fell by a similar amount, this was more than offset by an increase in other retail deposits paying higher rates of interest.

Net interest income from all domestic operations rose by 12% as a result of growth of 8% in average total assets and an improvement in the net interest margin to 5.46% compared with 5.29% in the same period last year. The charge for bad and doubtful debts at £49 million was virtually unchanged. Specific provisions were well spread, mainly among small and medium sized businesses and personal customers. Other operating income was up 17% and operating expenses rose by 9%.

(Continued on Card 3)



CARD 3 (See also Cards 1 and 2)

THIS CARD IS CIRCULATED TO GIVE DETAILS OF AN ISSUE BY THE BANK  
AND SHOULD BE RETAINED FOR REFERENCE PURPOSES

LI-LN 54

**LLOYDS BANK PLC**

LLO

(Incorporated in England with limited liability  
under the Companies Act 1862 and the Companies Act 1985)

#### International

The contribution from our international business showed a welcome recovery from a year ago. Profit after tax increased by 46% to £38 million from £26 million and pre-tax profit rose 14% to £89 million. This improvement was attributable mainly to an increase of £29 million in net interest income, half of which came from growth in volume and the other half from improved margins. The results were also helped by an increase of 7% in other operating income, firm cost control and a lower effective tax rate.

The charge for bad and doubtful debts increased by 18% to £77 million compared with £65 million a year earlier. A further addition to the general provision recognised the continuing uncertainty surrounding lending to some overseas borrowers.

Earnings in the U.S.A., Europe and Australasia were higher than in the first half of 1984, and there was some recovery in our Latin America profits, but in the Far East and the Middle East, after bad debt provisions, the results remained depressed.

#### Capital

At the end of June, 1985, shareholders' funds were £2,120 million, up by £181 million or 9% from a year earlier. During the half-year we made an issue of U.S.\$750 million primary capital undated floating rate notes, the first to rank as primary capital under Bank of England guidelines. This brought our total capital at the end of the half-year to £3,486 million, an increase of £969 million or 38% on the previous year. These substantial additional resources will help us to finance profitable growth and maintain strong capital ratios. The ratio of equity to assets improved to 4.8% from 4.5% a year ago. Primary capital to total assets improved to 6.9% from 5.2%, and the free capital ratio rose to 6.5% from 4.2%.

#### Dividend

The interim dividend is increased to 7.5p per share from 6.3p in the first half of 1984. Dividend cover remains strong and our aim is to sustain sound earnings growth that will permit us both to strengthen our capital base and to improve further the shareholders' dividend.

#### CONSOLIDATED PROFIT AND LOSS ACCOUNT (Note 1) (Historical cost basis - unaudited)

	Note	6 months ended 30th June, 1985 £ million	6 months ended 30th June, 1984 £ million	12 months ended 31st December, 1984 £ million
Interest income		2,775	2,200	5,084
Interest expense		2,021	1,526	3,634
Net interest income		754	674	1,450
Other operating income		313	277	597
Total income		1,067	951	2,047
Provisions for bad and doubtful debts	2			
Specific		96	71	204
General		30	44	65
		126	115	269
Total income after provisions for bad and doubtful debts		941	836	1,778
Operating expenses				
Staff		443	410	859
Premises and equipment		114	105	226
Other		137	122	258
		694	637	1,343
Profit before taxation				
of Lloyds Bank Plc and subsidiaries		247	199	435
Share of profits of associated companies		17	11	33
Profit before taxation		264	210	468
Taxation	3	123	108	231
Profit after taxation		141	102	237
Minority interests		—	4	7
Profit before extraordinary item		141	98	230
Extraordinary item	4			
Additional provision arising from the Finance Act 1984			(465)	(465)
Transfer from reserves and minority interests			465	465
		—	—	—



Profit attributable to the shareholders of Lloyds								
Bank Plc	..	..	..	..	..	141	98	230
Dividends	..	..	..	..	..	27	22	62
Profit retained	..	..	..	..	..	114	76	168
Earnings per £1 ordinary share	..	..	..	..	5	40p	28p	65p
Dividends per £1 ordinary share	..	..	..	..	5	7.5p	6.3p	17.7p
(Gross equivalent)	..	..	..	..	..	10.7p	9.0p	25.2p

## NOTES

### 1. Change of accounting dates

Following the change of accounting dates of Lloyds and Scottish Plc and The National Bank of New Zealand Limited from 30th September and 31st October respectively to 31st December, figures for the six months ended 30th June, 1984 have been restated to include the results of those companies for the six months ended 30th June, 1984 instead of for the six months ended 31st March, 1984 for Lloyds and Scottish Plc and for the six months to 30th April, 1984 for The National Bank of New Zealand Limited as previously published.

### 2. Provisions for bad and doubtful debts

	<i>£ million</i>					
	<i>6 months ended 30th June, 1985</i>		<i>6 months ended 30th June, 1984</i>		<i>12 months ended 31st December, 1984</i>	
	Specific	General	Specific	General	Specific	General
Balance at beginning of period	315	319	329	243	329	243
Exchange adjustments	(24)	(10)	7	2	26	11
Adjustment on acquisition of subsidiary	—	—	—	—	5	—
Advances written off	(107)	—	(105)	—	(282)	—
Recoveries of advances written off in previous years	26	—	8	—	33	—
Charge to profit and loss account	96	30	71	44	204	65
Balance at end of period	306	339	310	289	315	319
	645		599		634	

The charge to profit and loss account comprises:—

	<i>£ million</i>		
	<i>6 months ended 30th June, 1985</i>	<i>6 months ended 30th June, 1984</i>	<i>12 months ended 31st December, 1984</i>
Specific			
Domestic	45	46	103
International	51	25	101
	96	71	204
General	30	44	65
Total	126	115	269

### 3. Taxation

The charge for taxation is based on an average U.K. corporation tax rate of 41.25 per cent. for the year (1984 : 46.25%) and takes account of deferred taxation on all timing differences other than those considered likely to continue for the foreseeable future.

### 4. Extraordinary item

In the 6 months ended 30th June, 1984, following changes in the basis of capital allowances and in the rates of corporation tax as set out in the Finance Act 1984, an additional provision of £465 million was made as an extraordinary item. An amount equal to the extraordinary charge of £465 million was transferred to the profit and loss account, comprising £434 million from reserves (Note 8) and £31 million from minority interests.

### 5. Earnings and dividends per share

Earnings and dividends per share for 1984 have been adjusted to take account of the capitalisation issue of one new fully paid ordinary £1 share for every two shares held on 31st May, 1985.

### 6. Consolidated balance sheet

(Historical cost basis — unaudited)						<i>30th June, 1985</i>	<i>30th June, 1984</i>	<i>31st December, 1984</i>
						<i>£ million</i>	<i>£ million</i>	<i>£ million</i>
Assets employed								
Cash and short-term funds	..	..	..	..	..	5,817	6,541	5,398
Cheques in course of collection	..	..	..	..	..	794	691	740
Investments	..	..	..	..	..	1,447	1,222	1,423
Advances and other accounts	..	..	..	..	..	34,871	33,449	35,248
						42,929	41,903	42,809
Trade investments	..	..	..	..	..	179	201	150
Premises and equipment	..	..	..	..	..	1,004	909	1,050
						44,112	43,013	44,009



Financed by									
Liabilities									
Current, deposit and other accounts				(Note 7)		40,072	39,880	40,545	
Current and deferred taxation						527	594	492	
Dividend						27	22	40	
						40,626	40,496	41,077	
Dated loan capital						793	578	865	
Undated loan capital						573	—	—	
Minority interests						14	77	15	
Share capital and reserves				(Note 8)					
Ordinary share capital						354	235	235	
Reserves						1,752	1,627	1,817	
						2,106	1,862	2,052	
						44,112	43,013	44,009	
Analysis of total assets									
Sterling						49%	47%	45%	
Currency						51%	53%	55%	

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#### 7. Analysis of current, deposit and other accounts

	30th June, 1985	30th June, 1984	31st December, 1984
	£ million	£ million	£ million
Domestic			
Current accounts			
Non-interest bearing	3,835	3,752	3,997
Interest bearing	718	412	337
Deposit and savings accounts	4,809	4,458	4,531
Time deposits	7,192	6,623	6,287
	16,554	15,245	15,152
International			
Current accounts			
Non-interest bearing	1,287	1,090	1,233
Interest bearing	1,107	972	1,195
Deposit and savings accounts	1,256	1,278	1,370
Time deposits	17,937	19,495	19,753
	21,587	22,835	23,551
Current and deposit accounts	38,141	38,080	38,703
Other accounts	1,931	1,800	1,842
	40,072	39,880	40,545

#### 8. Movements in share capital and reserves

	6 months ended 30th June, 1985	6 months ended 30th June, 1984	12 months ended 31st December, 1984
	£ million	£ million	£ million
Balance at beginning of period	2,052	2,193	2,193
Transfer to profit and loss account	(Note 4)	(434)	(434)
Surplus (deficit) on revaluation of premises	(4)	(1)	112
Premiums on acquisitions during the period	—	(4)	(34)
Exchange adjustments	(62)	19	33
Other items	6	13	14
Retained profit for the period	114	76	168
Balance at end of period	2,106	1,862	2,052

#### 9. Other financial information

	6 months ended 30th June, 1985	6 months ended 30th June, 1984	12 months ended 31st December, 1984
Profit before taxation			
Domestic	66%	63%	62%
International	34%	37%	38%
Profit after taxation			
Domestic	73%	75%	68%
International	27%	25%	32%
Capital ratios			
Equity as % of total assets	4.8%	4.5%	4.7%
Primary capital (shareholders' funds + undated loan capital + general provision) as % of total assets	6.9%	5.2%	5.4%
Free capital ratio	6.5%	4.2%	5.0%
Debt as % of shareholders' funds and general provision	55.3%	25.6%	36.0%
Interest on loan capital (included in interest expense)	£47m	£25m	£75m
Average base rate	12.8%	8.9%	9.7%
U.S. dollar/£ sterling exchange rate (end of period)	\$1.3085	\$1.3560	\$1.1565



### UNITED KINGDOM INCOME TAXATION

The current United Kingdom income taxation position can be summarised as follows:—

1. The Notes will constitute "quoted Eurobonds" within the terms of Section 35 of the Finance Act 1984, provided they remain in bearer form and continue to be quoted on a recognised stock exchange within the meaning of Section 535 of the Income and Corporation Taxes Act 1970. Accordingly, payments of interest may be made without withholding or deduction for or on account of United Kingdom income tax where:—
  - (a) the person by or through whom the payment is made is not in the United Kingdom. The Bank has been advised that in accordance with current Revenue practice no withholding or deduction for or on account of United Kingdom income tax will be required where the payment of interest is made by an overseas paying agent, notwithstanding that the Bank is resident in the United Kingdom and will appoint a principal paying agent in the United Kingdom; or
  - (b) the payment is made by or through a person who is in the United Kingdom and
    - (i) it is proved, on a claim in that behalf made to the Commissioners of Inland Revenue, that the person who is the beneficial owner of the Note and entitled to the interest is not resident in the United Kingdom, or where the interest is by virtue of any provision of the United Kingdom Taxes Acts deemed to be income of a person other than the person who is the beneficial owner of the Note on a claim in that behalf made to the Commissioners of Inland Revenue by that other person, that such other person is not resident in the United Kingdom; or
    - (ii) the Note and Coupon are held by one and the same person in a "recognised clearing system". Euro-clear and CEDEL S.A. have each been designated as a "recognised clearing system" for this purpose.In all other cases, interest will be paid under deduction of United Kingdom income tax subject to such relief as may be available under the provisions of any relevant double taxation treaty.
2. A collecting agent in the United Kingdom obtaining payment elsewhere than in the United Kingdom on behalf of a holder of a Note or Coupon may be required to withhold or deduct for or on account of United Kingdom income tax unless it is proved, on a claim in that behalf made to the Commissioners of Inland Revenue, that the beneficial owner of the Note or Coupon is not resident in the United Kingdom.
3. The interest has a United Kingdom source and accordingly will be chargeable to United Kingdom tax by direct assessment even if the interest was paid without withholding or deduction. However, under long-standing Inland Revenue practice, the interest will not be assessed to United Kingdom tax in the hands of Noteholders who are not residents of the United Kingdom, except where such persons:—
  - (a) are chargeable in the name of an agent in the United Kingdom; or
  - (b) have a branch in the United Kingdom which has the management or control of the interest; or
  - (c) seek to claim relief in respect of taxed income from United Kingdom sources; or
  - (d) are chargeable to Corporation Tax on the income of a United Kingdom branch or agency to which the interest is attributable.
4. Noteholders should note that the provisions relating to additional payments referred to in Condition 6 of the Notes would not apply if the Inland Revenue sought to assess the person entitled to the relevant interest directly to United Kingdom tax on interest. However, exemption from or reduction of such United Kingdom tax liability might be available under an appropriate double taxation treaty.
5. The Bank has been advised that payments of interest on the Notes will not constitute a distribution for United Kingdom tax purposes.

### GENERAL INFORMATION

1. The listing of the Notes on The Stock Exchange will be expressed in U.S. dollars as a percentage of their principal amount (exclusive of accrued interest). Transactions on The Stock Exchange will normally be effected for settlement in U.S. dollars and for delivery on the fifth dealing day after the date of the transaction. It is expected that the Notes will be admitted to the Official List on 20th November, 1985 subject only to the issue of the Temporary Global Note. Pending such issue, however, dealings will be permitted by the Council of The Stock Exchange in accordance with its rules.
2. The Notes have been accepted for clearance through CEDEL S.A. (reference no. 154288) and through Euro-clear (reference no. 14705).
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 twelve months preceding the date of this document a significant effect on the financial position of the Bank and its subsidiaries, nor, so far as the Bank is aware, are any such proceedings pending or threatened against the Bank or any of its subsidiaries.
4. Since 31st December, 1984, the date to which the latest audited consolidated published accounts of the Bank and its subsidiaries were made up, and save as disclosed herein, there has been no material change in the financial or trading position of the Bank and its subsidiaries, taken as a whole, nor has there been any material adverse change in the financial position or prospects of the Bank.
5. Lloyds Merchant Bank Limited and its holding company Lloyds Merchant Bank Holdings Limited are wholly-owned subsidiaries of the Bank. Sir Christopher Jeremy Morse KCMG, Sir John Lindsay Alexander, Norman William Jones CBE, TD, Geoffrey Charles Kent, Brian Ivor Pitman and John Michael Raisman CBE are directors of Lloyds Merchant Bank Holdings Limited.
6. Certain of the financial information set out in this document constitutes abridged accounts (within the meaning of Section 255 of the Companies Act 1985) and not full accounts. Full accounts prepared under Section 227 of the Act have been delivered to the Registrar of Companies in England in respect of the year ended 31st December, 1984 on which the auditors have made reports under Section 236 of the Act. Each such report was unqualified within the meaning of Section 271(3) of the Act. The annual consolidated published accounts of the Bank and its subsidiaries for the three financial years ended 31st December, 1984 were audited by Price Waterhouse, Chartered Accountants, whose address is Southwark Towers, 32 London Bridge Street, London SE1 9SY.
7. No redemption of the Notes for taxation or other reasons at the option of the Bank will be made without the consent of the Bank of England.
8. The obligations of the Bank in respect of the Notes and the Coupons are conditional upon the Bank being solvent for the purpose of Condition 2 at the time of payment by the Bank. The terms and conditions of the Notes do not provide any remedy for non-payment of interest thereon so long as no dividend has been paid or declared in respect of any class of capital of the Bank in the six months preceding the relevant Interest Payment Date (as defined in Condition 3). In the event of the winding up of the Bank the right to claim for Arrears of Interest (as defined in Condition 3) may be limited by applicable insolvency law.



9. Copies of the latest published Report and Accounts of the Bank will (so long as any of the Notes remain outstanding) be available to the holders of the Notes at each specified office of each paying agent for the time being.

10. The issue of the Notes was authorised by a resolution of the Group Committee of the Board of Directors of the Bank passed on 12th November, 1985.

11. Copies of the audited Annual Report and Accounts of the Bank for the year ended 31st December, 1984 and of these Listing Particulars are available until 29th November, 1985 (18th November, 1985 in the case of the Company Announcements Office of The Stock Exchange) from:—

- (a) the Company Announcements Office of The Stock Exchange;
- (b) Hoare Govett Ltd., Heron House, 319-325 High Holborn, London WC1V 7PB;
- (c) the Bank, 71 Lombard Street, London EC3P 3BS; and
- (d) The Chase Manhattan Bank, N.A., Woolgate House, Coleman Street, London EC2P 2HD.

12. 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 & Paines, Barrington House, 59-67 Gresham Street, London EC2V 7JA for a period of 14 days from the date hereof:

- (a) the Memorandum and Articles of Association of the Bank;
- (b) the Report and Accounts of the Bank for the years ended 31st December, 1983 and 31st December, 1984;
- (c) the Subscription Agreement referred to above;
- (d) a draft, subject to modification, of the Trust Deed referred to above (including, *inter alia*, the form of the Note and the form of the Temporary Global Note); and
- (e) drafts (subject to amendment) of the Paying Agency Agreement and Agent Bank Agreement.

**REGISTERED OFFICE OF THE BANK**

71 Lombard Street,  
London EC3P 3BS

**TRUSTEE FOR THE NOTEHOLDERS**

THE LAW DEBENTURE CORPORATION p.l.c.,  
Estates House,  
66 Gresham Street,  
London EC2V 7HX

**LEGAL ADVISERS**

*To the Bank*  
LINKLATERS & PAINES,  
Barrington House,  
59-67 Gresham Street,  
London EC2V 7JA

*To the Managers*  
SLAUGHTER AND MAY,  
35 Basinghall Street,  
London EC2V 5DB

*To the Trustee*  
ALLEN & OVERY,  
9 Cheapside,  
London EC2V 6AD

**BROKERS**

HOARE GOVETT LTD.,  
Heron House,  
319-325 High Holborn,  
London WC1V 7PB

Dated 13th November, 1985.

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