Commodities / Momentum Strategy

Euro Medium-Term Note / 4-Year Structured Note in USD

100% or 95% capital protection at maturity / Subscriptions until 18.05.2007, 14:00 CET

Indicative terms

Issuer	Lloyds TSB Bank plc
Rating	Aaa (Moody's)
Calculation Agent	Lloyds TSB Bank plc
Currency	USD
Minimum investment	USD 70,000 (minimum increments of USD 10,000)
Underlying	Commodity Basket comprising S&P GSCI Petroleum E9 Excess Return Index (GSP9ER), S&P GSCI Agriculture E28 Excess Return Index (GSCAG28P), S&P GSCI Livestock Excess Return Index (GSLVER), S&P GSCI E11 Industrial Metal Excess Return Index (GSIN11P), S&P GSCI Precious Metals Excess Return Index (GSPMER) (refer to Momentum Allocation Strategy for weightings)
Subscription date	18.05.2007, 14:00 CET
Effective date	21.05.2007 (closing level)
Payment date	29.05.2007
Final Observation date	23.05.2011
Maturity and Repayment Value date	31.05.2011
Issue Price	100%
Capital protection level	**Series I:** 100% **Series II:** 95%
Participation ratio	**Series I:** 80% of the average Index Basket performance **Series II:** 100% of the average Index Basket performance
Averaging Method used for Index Basket performance (Asian End)	12-month average end (13 monthly observation points)
Early Redemption fee	Please see under "What happens if I want to withdraw my investment before maturity? "
Clearing	Euroclear / Clearstream
Security no.	**Series I:** temporary no:**462'552** **Series II:** temporary no:**462'553**

What is it?

It is a Euro Medium-Term Note (EMTN) denominated in USD with a return linked to the positive performance of a Commodity Basket, the weightings of which will vary during the life of the product according to the Momentum Allocation Strategy. Two Series are available, Series I carries a 100% capital protection at maturity, Series II carries a 95% capital protection at maturity.

The Momentum Allocation Strategy

- Momentum is the tendency of outperforming assets to outperform again in the future
- Commodity Prices tend to trend for 3 years with average moves of 45% (source: Goldman Sachs)
- The Goldman Sachs Commodity Index (GSCI) is designed to provide investors with a reliable and publicly available benchmark for investment performance in the commodity markets comparable to the S&P 500 or FT equity indices. As such, the GSCI is a composite index of commodity sector returns, representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities. The returns are calculated on a fully-collateralized basis with full reinvestment (source: Goldman Sachs)
- Goldman Sachs offers numerous strategies that seek to outperform the benchmark index, by taking advantage of trends in seasonality and observed trading behaviour in relevant commodity futures. These enhanced strategies are applied for the following sub-indices: GSCI Petroleum E9 Excess Return Index, GSCI Agriculture E28 Excess Return Index, GSCI E11 Industrial Metals Excess Return Index
- Each GSCI sub-index tracks the performance of a segment of the commodity market. The sub-indices have generally been historically uncorrelated with each other making them ideal candidates for momentum-based investing
- The Momentum Allocation Strategy gives dynamic exposure to the commodity sector by periodically allocating higher weights to the best performing sub-sectors of the previous period, in order to pick up on the trends of the commodity markets
- The initial allocation is equally invested in each of the 5 selected sub-indices. The subsequent allocations are based on the previous quarter's performance of the 5 sub-indices: Petroleum, Agriculture, Livestock, Industrial Metals, and Precious Metals
- 50% weight is allocated to the best performing sub-index, 30% to the second, 15% to the third, 5% to the fourth and 0% to the last

How does it work?

At maturity, investors will receive:

- Series I: 100% of the invested capital plus 80% of the positive Commodity Basket performance over 4 years
- Series II: 95% of the invested capital plus 100% of the positive Commodity Basket performance over 4 years

The performance of the Commodity Basket is calculated using monthly averaging during the last twelve months of the life of the note (13 monthly observation points).

Please see below under "Calculation of Return" for further details.

Who is it for?

The 100% capital protected version is designed for conservative investors who are interested in medium-term access to the Commodity market. For balanced investors, a version with 95% capital protection is available.

What is the investment rationale?

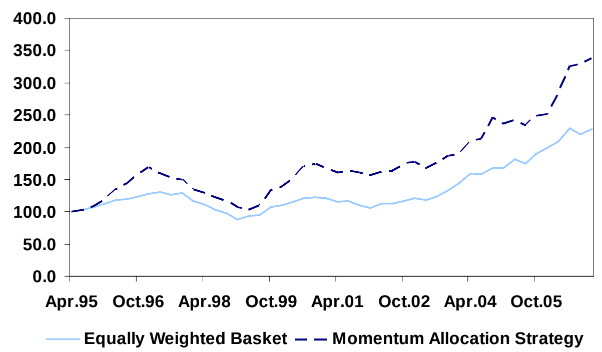
There is a structural shift in the supply and demand of commodities, which sustains prices across the entire complex above the long-term mean for a period that exceeds market cyclical price behaviour expectations.

- The structural increase in **energy** is mainly a supply-side story. Spare capacity has been exhausted in the absence of infrastructure investment, creating a sharp rise in the underlying cost structure of the energy industry. We believe the oil price should further increase, as demand further grows, and supply remains rigid. There are still insufficient Capex (capital expenditure) spending in the industry, a lack of ability to respond quickly, geological constraints due to increasing reservoir maturity, a lack of sophisticated refining capacity globally, a shortage of drilling rigs and personnel, and spiralling costs.
- Strong economic growth in emerging economies, particularly China, has led to an acceleration in demand for **base metals** alongside a more modest appreciation in costs. A higher trend in demand should push producers to increase capacities and lead to higher marginal cost of supply. Strong global growth (in BRIC countries mainly), a low level of inventories, rigidity on the supply side, new investment products, and strong speculative interests provide a favourable environment for metals.
- **Precious metals** have strong fundamentals (gold, silver, platinum, nickel) and imbalances, which should support prices in the long term. In case of market decline, gold should remain safe and represent an excellent diversification tool.
- In the **agriculture**, while the extent of the shift in demand or costs is still uncertain, higher demand and costs due to a capacity-constrained environment will likely lead to an upward shift in prices. Rising population and wealth, increasing demand from developing countries and bio-fuel-related technologies are strongly increasing demand, whereas supply is constrained and prices remain historically low. We believe inventories remain a key factor in explaining cyclical dynamics, but prices are also beginning to reflect the need to turn to higher marginal cost of supply. We expect the spot prices of major crops to trade in a higher band, notably for grains and oil seeds (corn, wheat, soybean and vegetable oils). In the soft sector, we believe that both cocoa and coffee should benefit from increasing demand in both developed and developing countries and from reduced supply due to weather-related problems.
- In the **livestock** sector, we expect sustainable higher prices for corn and other feed grains to continue to support cattle prices over the next 2-3 years. Feed prices are the most significant drivers of cattle prices, as livestock behave primarily as means of translating feed into food (from corn to beef). We expect corn prices to remain well supported.

The GSCI sub-indices

- S&P GSCI Petroleum E9 Excess Return Index (GSP9ER)
  Contents: WTI Crude Oil, Brent Crude Oil, RBOB Gas, Heating Oil, GasOil
- S&P GSCI Agriculture E28 Excess Return Index (GSCAG28P)
  Contents: Wheat, Soybean, Sugar, Red wheat, Coffee, Cotton, Corn, Cocoa
- S&P GSCI Livestock Excess Return Index (GSLVER)
  Contents: Lean hogs, Live cattle, Feeder cattle
- S&P GSCI E11 Industrial Metal Excess Return Index (GSIN11P)
  Contents: Aluminium, Copper, Lead, Nickel, Zinc
- S&P GSCI Precious Metals Excess Return Index (GSPMER)
  Contents: Gold, Silver

Back-Testing (April 1995 – December 2006)



Source: Goldman Sachs

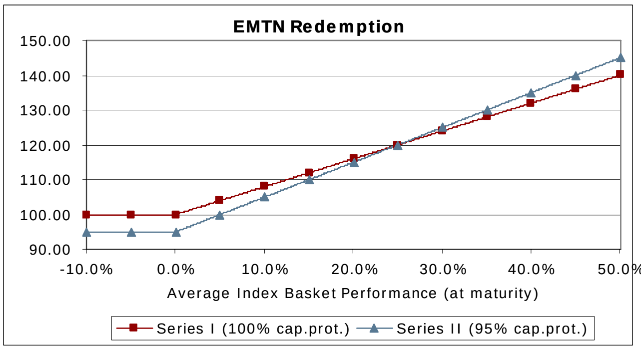
Note: Past performance is not a guarantee for future performance .

Pay-out Table

4 year Commodities Basket performance	4 year EMTN payout at maturity (Series I)	4 year EMTN payout at maturity (Series II)
-10%	100.00	95.00
0%	100.00	95.00
5%	104.00	100.00
10%	108.00	105.00
20%	116.00	115.00
30%	124.00	125.00
40%	132.00	135.00
50%	140.00	145.00

Series II only: At maturity, the average Index Basket performance is added to the Capital Protection Level of 95%, i.e. if the average Index Basket performance at maturity is 30%, the EMTN will be reimbursed at 125.0% (95% protection level + 100% of the average Index Basket performance (30.0%) = 30.0%). In case of an average Index Basket performance that is negative or very low, the EMTN redemption can therefore be below 100%, but not below the protection level of 95%.

Pay-out Diagram



Associated Risks

- Although there is either no loss or a limited loss (depending on the capital protection chosen) of original investment if held to maturity, and the product offers you potentially unlimited upside, if the performance of the Index Basket is negative you will only receive 100% or 95% of your original investment at maturity. This is in contrast to other investments, where you might expect income and/or capital appreciation, for example by placing the same amount of money in an interest bearing deposit account
- Risk of default of the issuer, although it should be noted that Lloyds TSB has a credit rating allocated to banks with the lowest possible risk of default
- If you are required to sell the note prior to maturity you could receive significantly less than your initial investment as the capital protection only applies at maturity. If you wish to sell before maturity an early redemption fee is applied (see below)

How long is my money invested for?

Your money is invested in this structured product for a period of 4 years.

What happens if I want to withdraw my investment before maturity?

Lloyds TSB will endeavour to provide a secondary market for early termination daily at market value, which may be less than the amount initially invested. In addition to considerations of market value, an early redemption fee of minimum 1% will be applied and is calculated as follows:

$$2\% - \frac{1\% \times m}{24}$$

m being defined as the number of calendar months since the product's issue date. Hence, for the first two years of the product the early redemption fee will be higher, decreasing from 2% immediately after launch to 1% after 2 years.

What does it offer that a cash account does not?

A chance to get better returns than cash based on the performance of the chosen Underlying Basket.

What does Capital Protection mean?

It means that you will at least get your capital back at maturity if you have chosen 100% capital protection. If you have chosen 95% capital protection, you will at least get back 95% of the Note's nominal amount.

Calculation of Return

On the Repayment Value date, the investor will receive the higher of:

Series I:

a) Nominal Amount x 100%
or
b) Nominal Amount x 100% + {Nominal Amount x (80% x Aggregate Basket performance)}

Series II:

a) Nominal Amount x 95%
or
b) Nominal Amount x 95% + {Nominal Amount x (100% x Aggregate Basket performance)}

- The Aggregate Basket performance is defined as:

$$\frac{\text{Underlying Basket Final level} - \text{Underlying Basket Start level}}{\text{Underlying Basket Start level}}$$

- The Underlying Basket Final level is defined as:
  the simple arithmetic average of the Underlying Basket Levels, as at the close of business on the 21st of each month during the last 12 months of the life of the structure, adjusted for good business days, from 21.05.2010 until 23.05.2011 inclusive. There are 13 observation points.

- The Underlying Basket Start level is defined as 100%

- Underlying Basket Level (for Quarters 1 to 16) = Previous Underlying Basket Level x (100% + Quarterly Performance)

- Quarterly Performance =

$$\sum_{1}^{5} \text{RelevantIndexWeight x RelevantIndexPerformance}$$

and RelevantIndexPerformance is defined as

$$\frac{\text{RelevantIndexEnd} - \text{RelevantIndexStart}}{\text{RelevantIndexStart}}$$

- The RelevantIndexStart is the closing level of the relevant sub-index at the start of each quarterly period. The RelevantIndexEnd is the closing level of the relevant sub-index at the end of each quarterly period. RelevantIndexWeight is the weighting applicable for each sub-index for the relevant quarterly period. RelevantIndexEnd

- One business day before each Valuation Date (i.e. on the 21st of each August, November, February, May, adjusted for good business days, from 21.08.2007 up to and including 23.05.2011), each sub-index will receive a different weighting for the next quarterly period depending on its own performance over the previous quarter.

- This rebalancing rule ensures that the best performing sub-index will always be over-weighted within the Underlying Basket. Indeed, the sub-indices weightings are defined as:
  - with respect to the Effective Date and for each sub-index, the initial weighting is equal to 20%
  - with respect to each subsequent Valuation Date and each sub-index, the weighting is equal to :
    - 50% if the sub-index performance observed is the highest of the 5 sub-indices performances, calculated from the previous to the current Valuation Date,
    - 30% if the sub-index performance observed is the second highest of the 5 sub-indices performances calculated from the previous to the current Valuation Date,
    - 15% if the sub-index performance observed is the third highest of the 5 sub-indices performances calculated from the previous to the current Valuation Date,
    - 5% if the sub-index performance observed is the fourth highest of the 5 sub-indices performances calculated from the previous to the current Valuation Date,
    - 0% if the sub-index performance observed is the lowest of the 5 sub-indices performances calculated from the previous to the current Valuation Date.

- The Underlying Basket is composed by the following five sub-indices :
  - 1. S&P GSCI Petroleum Excess Return E9 Index (GSP9ER)
  - 2. S&P GSCI Agriculture Excess Return E28 Index (GSCAG28P)
  - 3. S&P GSCI Livestock Excess Return Index (GSLVER)
  - 4. S&P GSCI Industrial Metal Excess Return E11 Index (GSIN11P)
  - 5. S&P GSCI Precious Metals Excess Return Index (GSPMER)

Important information

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Lloyds TSB Bank plc makes no representation as to the existence of a secondary market for the Notes. The market value can be expected to fluctuate significantly and investors should be prepared to assume the market risks associated with these Notes.

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Lloyds TSB will endeavour to provide a secondary market for early termination daily at market value which may be less than the amount initially invested. However, there is no assurance that a secondary market will exist. Should a secondary market be available, an early redemption fee will be applied. Please refer to “What happens if I want to withdraw my investment before maturity?”.
In case of substantial change in market conditions, we reserve the right to cancel the offering. In case of oversubscription, orders will be handled on a ‘first come first serve’ basis. We also reserve the right to scale back subscription amounts if necessary.

Lloyds TSB does not assume any responsibility for product suitability for product placements made with institutional or private clients who are not existing clients of Lloyds TSB.

What next ?

Please contact your Relationship Manager who can provide you with further information as well as a document with technical information on this product.

Alternatively you can contact:

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