

## Telecom Stocks

### Barrier Reverse Convertible Note

Euro Medium-Term Note (EMTN) / 1-Year Structured Note in EUR

France Telecom, Telecom Italia, Vodafone, Verizon Comm.

16.0% p.a. coupon / Subscriptions until 26.02.2007, 14:00 CET

#### Final terms

Issuer	Lloyds TSB Bank plc
Rating	Aaa (Moody's)
Currency	EUR
Minimum investment	EUR 100,000 (minimum increments of EUR 10,000)
Underlying Shares	France Telecom SA (FTE FP) Telecom Italia Spa (TIT IM) Vodafone Group plc (VOD LN) Verizon Comm.Inc (VZ US)
Subscription date	26.02.2007, 14:00 CET
Effective date	27.02.2007 (closing level)
Payment date	06.03.2007
Final Observation date	27.02.2008
Maturity and Repayment Value date	05.03.2008
Issue Price	100%
Coupon Payment	16.0% p.a., paid semi-annually on 28.08.2007 and 05.03.2008
Reference Share Price	Closing level of the Underlying Shares on the Effective date
Kick-in Level (Event)	75% of each Underlying Share's Reference Share Price
Early Redemption fee	Please see under "What happens if I want to withdraw my investment before maturity"
Clearing	Euroclear / Clearstream
Security no.	TBA (temporary number: 462'533)

#### What is it?

It is a Euro Medium-Term Note (EMTN) denominated in EUR. The incentive of the product is a guaranteed enhanced yield of 16.0% p.a., paid semi-annually, but with a downside exposure to the price development of the Underlying Shares. The associated risk to this enhanced yield is that you may, at maturity, receive a cash amount equal to the nominal amount minus the negative performance of the worst performing share (representing less value than your original investment).

#### How does it work?

The product pays a guaranteed coupon on a semi-annual basis. At maturity two possible scenarios can occur:

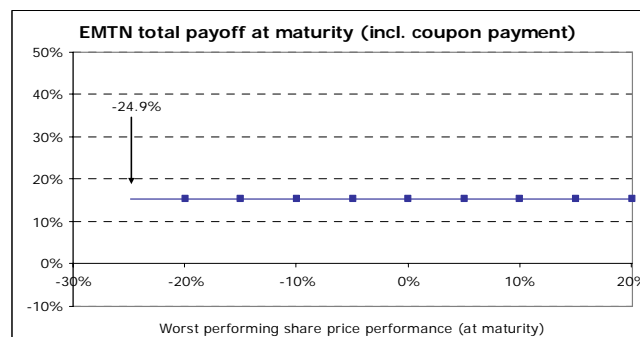
**Scenario 1**, if a **Kick-in Event has NOT occurred** during the product's lifetime, i.e. none of the Underlying Shares has decreased by 25% or more (Kick-in Event) at any stage during the product's lifetime, you will receive 100% of the nominal amount in cash.

#### Pay-out Table scenario 1

1 year share price performance of the worst performing share	1 year EMTN total payoff at maturity (incl. coupon payments*)
-24.9%	116.00
-20.0%	116.00
-10.0%	116.00
0.0%	116.00
10.0%	116.00
20.0%	116.00

\* The amounts shown ignore any additional income which could be gained from reinvestment up to the maturity date of the interim coupon payment, e.g. via placement on deposit.

#### Pay-out Diagram scenario 1



**Scenario 2**, if a **Kick-in Event has occurred** during the product's lifetime, i.e. one or more of the Underlying Shares has decreased by 25% or more (Kick-in Event), the following scenarios occur:

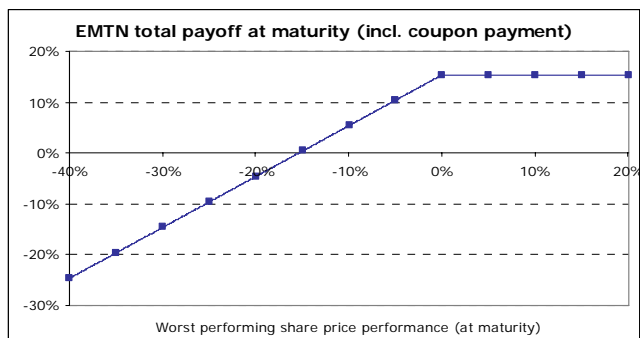
- If at maturity **all** Underlying Shares close **above** their respective Reference Share Price, you will receive 100% of the nominal amount in cash.
- If at maturity **one or more** of the Underlying Shares close **at or below** their respective Reference Share Price, you will receive a cash amount equal to the nominal amount less the negative performance of the worst performing share, based on the closing level on the Final Observation date, floored at 34.0% of the nominal amount.

## Pay-out Table scenario 2

1 year share price performance of the worst performing share	1 year EMTN total payoff at maturity (incl. coupon payments*)
-40.0%	76.00
-30.0%	86.00
-20.0%	96.00
-10.0%	106.00
0.0%	116.00
10.0%	116.00
20.0%	116.00

\* The amounts shown ignore any additional income which could be gained from reinvestment up to the maturity date of the interim coupon payment, e.g. via placement on deposit.

## Pay-out Diagram scenario 2



## What is the investment rationale?

- The four selected companies are well-known global Telecom stocks. We believe that these stocks are well protected to the downside and should under normal market conditions not reach the kick-in level during the product's term. Telecom Services is one of the most defensive sectors in both Europe and the US, limiting the downside risk
- We have selected the Telecom sector, which offers a high dividend yield at a reasonable valuation. Based on a relative forward price-to-earnings ratio, Telecom Services is the second most attractive sector in Europe compared to its 10-year history (30% discount). The sector net dividend yield averages 4.6% in Europe and 3.0% in the US
- We also believe that 2007 earnings growth expectations appear reasonable in both Europe and the US

## Stock selection

Company	Market Cap. US\$ bn	Est. P/E ratio 2007	Dividend yield
France Telecom SA	72.1	12.1x	5.6%
Telecom Italia Spa	55.0	15.1x	6.1%
Vodafone Group plc	157.2	13.6x	4.5%
Verizon Comm.Inc	111.2	16.1x	4.2%

(Source: Bloomberg, 07.02.2007)

## Who is it for?

This structure is designed for balanced or dynamic investors who are looking for an enhanced yield on their investment and are ready to bear the risk of receiving a cash amount equal to the nominal amount minus the negative performance of the worst performing share at maturity. This event would occur if there has been any fall of 25% or more in the share price of any of the Underlying Shares over the period from and including the Effective date to and including the Final Observation date.

## Associated risks

- The main risk is a fall in the value of the worst performing share over the period from the Effective date to the Final Observation date. You are exposed to the same downside risk as a direct equity holding, down to a 66.0% fall (although, unlike an equity holding, you will still receive coupon payments of 16.0% p.a. but no dividend payments)
- You should note that if the value of the Underlying Shares increases sharply over the next 12 months you will not benefit from this increase
- 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

## How long is my money invested for?

Your money is invested for 1 year.

## 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 Nominal Amount invested. A 1% early redemption fee will be applied.

## What does it offer that a cash account does not?

A chance to get a higher return than cash.

## Fiscal Aspects

The return on this product falls within the scope of the European Tax Savings Directive (EUSD). The Directive applies to European residents. The interest on the deposit shall be subject to the rules enforced on maturity or redemption.

## Calculation of Return

Coupon payments: 16.0% p.a. (paid semi-annually)

- EUR 800 per increment of EUR 10'000 on 28.08.2007
- EUR 800 per increment of EUR 10'000 on 05.03.2008

Depending on the scenario, on the Repayment Value date, the investor will receive:

**Scenario 1: A Kick-in Event has NOT occurred** during the product's lifetime:

- Nominal Amount x 100%

**Scenario 2: A Kick-in Event has occurred** during the product's lifetime, the following scenarios occur:

a. If at maturity **all** Underlying Shares close **above** the respective Reference Share Price:

- Nominal Amount x 100%

b. If at maturity **one or more** of the Underlying Shares close **at or below** the respective Reference Share Price:

The higher of:

- Nominal Amount x 34.0%  
and
- Nominal Amount x 100% + (Nominal Amount x Worst performing share performance)

Where:

Worst performing share performance is defined as

(Worst performing share Final level – Worst performing share Start level)

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Worst performing share Start level

- The Worst Performing share is defined as:  
The share amongst all underlying shares which has the worst performance from Effective date until Final Observation date.
- The Worst Performing share Final level is defined as:  
The closing level of the Worst Performing share on the Final Observation date
- The Worst Performing share Start level is defined as:  
The closing level of the Worst Performing share on Effective date

A Kick-in Event shall be deemed to occur if the share price of any of the Underlying Shares quoted by the Exchange is equal to or less than the Kick-in Level at any time on any exchange business day during the period from and including the Effective date to and including the Final Observation date.

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The above described product is not a participation in an investment fund and as such is not subject to supervision by the Swiss Federal Banking Commission.

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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. 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.

## 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:

Lloyds TSB Bank plc  
Geneva Branch  
Equity Advisory Desk, Financial Markets  
Place Bel-Air 1  
P.O. Box 5145  
1211 Geneva 11  
Switzerland

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