LLOYDS BANK Plc

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

£200,000,000

$9\frac{5}{8}$ per cent. Subordinated Bonds due 2023

Issue Price: 101.854 per cent.

The £200,000,000 $9\frac{5}{8}$ per cent. Subordinated Bonds due 2023 (the "Bonds") of Lloyds Bank Plc (the "Bank") constitute unsecured obligations of the Bank subordinated (as provided under "Conditions of the Bonds—Status and Subordination"), in the event of the winding-up of the Bank, to the claims of depositors and all other creditors of the Bank other than Subordinated Creditors as defined in "Conditions of the Bonds—Status and Subordination".

The Bonds will bear interest at the rate of $9\frac{5}{8}$ per cent. per annum from 6th April, 1993, payable annually in arrear on 6th April in each year until maturity. Payments in respect of the Bonds and the interest coupons appertaining thereto will be made without deduction for or on account of United Kingdom taxes to the extent described under "Conditions of the Bonds—Taxation".

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

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

Application has been made to The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange") for the Bonds to be admitted to the Official List.

Goldman Sachs International Limited **S.G. Warburg Securities**

Hoare Govett
ABN Amro Group

The date of this Offering Circular is 1st April, 1993

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

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

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

The Bonds will initially be represented by a single temporary global bond (the "Temporary Global Bond"), without interest coupons, which will be deposited with a common depositary on behalf of Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear"), and Cedel S.A. on or about 6th April, 1993. The Temporary Global Bond will be exchangeable for definitive Bonds, which will be in bearer form in the denominations of £1,000, £10,000 and £100,000 not earlier than 40 days after the later of the commencement of the offering and the issue date of the Bonds upon certification that the holders and beneficial owners thereof are not U.S. persons.

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

All references herein to "pounds", "pounds sterling", "£", "pence" or "p" are to the currency of the United Kingdom and to "U.S. dollars" or U.S.$" are to the currency of the United States of America.

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

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

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

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

CONDITIONS OF THE BONDS

The Bonds, serially numbered, comprising the £200,000,000 9⅝ per cent. Subordinated Bonds due 2023 (the "Bonds", which expression shall in these Conditions, unless the context otherwise requires, include any further bonds issued pursuant to Condition 13 and forming a single series therewith) of Lloyds Bank Plc (the "Bank") are constituted by a trust deed dated 6th April, 1993 (the "Trust Deed") between (1) the Bank and (2) The Law Debenture Trust Corporation p.l.c. (the "Trustee"). The Trustee acts as trustee for the holders of the Bonds (the "Bondholders") in accordance with the provisions of the Trust Deed. Payments in respect of the Bonds will be made pursuant to a paying agency agreement dated 6th April, 1993 (the "Paying Agency Agreement") between the Bank, Morgan Guaranty Trust Company of New York as principal paying agent (the "Principal Paying Agent"), the other paying agents referred to therein (the "Paying Agents", which expression shall, wherever the context so permits, include the Principal Paying Agent) and the Trustee. Copies of the Trust Deed and the Paying Agency Agreement are available for inspection during normal business hours at the principal office for the time being of the Trustee (presently at Princes House, 95 Gresham Street, London EC2V 7LY) and at the specified office of each of the Paying Agents. The Bondholders and the holders of the coupons referred to below (the "Couponholders") are entitled to the benefit of, are bound by, and are deemed to have notice of, all of the provisions contained in the Trust Deed and the Paying Agency Agreement.

1. Denomination and Title

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

2. Status and Subordination

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

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

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

3. Interest

The Bonds bear interest from and including 6th April, 1993 at the rate of 9⅝ per cent. per annum payable annually in arrear on 6th April (each such date an "Interest Payment Date") in respect of the year ending on the previous day. The first payment of interest, amounting to a full year's interest, will be due on 6th April, 1994. The Bonds will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused in which event interest shall continue to accrue as provided in the Trust Deed.

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

4. Redemption and Purchase

(A) Redemption at maturity

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

(B) Redemption for taxation reasons

(i) If at any time the Bank satisfies the Trustee immediately prior to the giving of the notice referred to below that if a payment of principal or interest in respect of the Bonds were to be due (whether or not the same is in fact then due) on or before the date falling 60 days after the next Interest Payment Date, the Bank would, for reasons outside its control, be unable (after using such endeavours as the Trustee shall consider reasonable) to make such payment of principal or interest without having to pay additional amounts as provided or referred to in Condition 6, the Bank may at its option at any time, having given not less than 30 nor more than 60 days' notice in accordance with Condition 12, redeem all, but not some only, of the Bonds then outstanding at their principal amount together with interest accrued up to (but excluding) the date of redemption.

(ii) Subject only to the obligation of the Bank to use such endeavours as aforesaid, it shall be sufficient to establish the existence of the circumstances required to be established pursuant to this paragraph (B) if the Bank shall deliver to the Trustee a certificate of an independent lawyer or accountant satisfactory to the Trustee in a form satisfactory to the Trustee to the effect either that such circumstances exist or that, upon a change in the taxation laws (or regulations made thereunder) of the United Kingdom or any authority thereof or therein having power to tax or in the application or interpretation of such laws or regulations, which at the date of such certificate is proposed and which in the opinion of such lawyer or accountant can reasonably be expected to become effective on or prior to the date falling 60 days after such Interest Payment Date as is referred to in (i) above, becoming so effective, such circumstances would exist.

(C) Purchase

The Bank or any of its subsidiaries or any holding company of the Bank or any other subsidiary of any such holding company may at any time purchase Bonds in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike. The Bonds so purchased, while held by or on behalf of the Bank or any such subsidiary or holding company or other subsidiary of any such holding company shall not entitle the holder to vote at any meetings of Bondholders and shall be deemed not to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 10. Any purchase will be made only of Bonds together with all unmatured Coupons appertaining thereto.

(D) Cancellation

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

5. Payments

(A) Payment of principal in respect of each Bond will be made only against surrender of such Bond. Payment of interest will, subject as provided below, be made only against surrender of the relevant Coupon. All payments of principal and interest will be made at the specified office of any of the Paying Agents, subject in all cases to any fiscal or other law or regulation or order of any court of competent jurisdiction applicable to the Bank, the relevant Paying Agent or the holder of the Bond or Coupon in respect of such payment but without prejudice to the provisions of Condition 6. The sole currency of payment and account in respect of the Bonds is pounds sterling. Payment in respect of the Bonds and Coupons will be made by a pounds sterling cheque drawn on a Town Clearing branch of a bank in London, or by transfer to a pounds sterling account maintained by the payee with a bank in London. Without prejudice to the generality of any of the foregoing, the Bank reserves the right to require a Bondholder or Couponholder to provide a Paying Agent with such certification or information as may be required to enable the Bank to comply with the requirements of the United States federal income tax or securities laws. In case of early redemption, each Bond should be surrendered together with all unmatured Coupons appertaining thereto. Upon the due date for redemption of any Bond unmatured Coupons relating to such Bond (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Bond is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity or security as the Bank may reasonably require. If the due date for redemption of a Bond is not an Interest Payment Date, the interest accrued from the immediately preceding Interest Payment Date (or 6th April, 1993 (if such due date is prior to the first Interest Payment Date)) shall be payable only against surrender of such Bond.

(B) If the date for payment of any amount of principal or interest in respect of any Bond is not at any place of payment a business day, then the holder thereof shall not be entitled to payment at that place of payment until the next following day which is a business day at that place of payment and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 5(B), "business day" means any day on which banks are open for business in the relevant place of payment and on which dealings in foreign exchange (including but not limited to pounds sterling) may be carried out both in London and in such place of payment.

(C) The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Bank reserves the right, subject to any necessary approval of the Trustee as provided in the Trust Deed, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, provided that it will at all times maintain a Paying Agent having a specified office in Europe, which, so long as the Bonds are listed on The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited, shall be in London. Furthermore, in certain limited circumstances (as described in and subject to the provisions of the Trust Deed), the Bank shall be obliged to use reasonable endeavours to maintain a Paying Agent having a specified office in a city located in mainland Europe. Notice of any such termination or appointment and of any changes in the specified offices of the Paying Agents will be given to the Bondholders in accordance with Condition 12.

6. Taxation

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

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

(b) in the United Kingdom; or

(c) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment at the expiry of such period of 30 days.

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

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

7. Events of Default and Enforcement

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

(B) If, otherwise than for the purposes of reconstruction or amalgamation on terms previously approved in writing by the Trustee, an order is made or an effective resolution is passed for winding-up the Bank, the Trustee may at its discretion give notice to the Bank that the Bonds are, and they shall accordingly immediately become, due and repayable at their principal amount, together with accrued interest (calculated as provided in the Trust Deed).

(C) The Trustee shall not be bound to take the action referred to in paragraph (A) or (B) above or (D) below to enforce the obligations of the Bank in respect of the Bonds and Coupons unless (i) it shall have been so requested by Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders or in writing by the holders of at least one-fifth in principal amount of the Bonds then outstanding (as defined in the Trust Deed) and (ii) it shall have been indemnified to its satisfaction.

(D) No Bondholder or Couponholder shall be entitled to institute proceedings for the winding-up of the Bank, or to prove in such winding-up, except that if the Trustee, having become bound to proceed against the Bank as aforesaid, fails to do so, or, being able to prove in such winding-up, fails to do so, in either case within a reasonable period and such failure is continuing, then any such holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute proceedings for the winding-up in England (but not elsewhere) of the Bank and/or prove in such winding-up to the same extent (but not further or otherwise) that the Trustee would have been entitled so to do. No remedy against the Bank, other than the institution of proceedings for the winding-up of the Bank in England or, as the case may be, proving in the winding-up of the Bank in the manner and by the persons aforesaid, shall be available to the Trustee or the Bondholders or Couponholders, whether for the recovery of amounts owing in respect of the Bonds or under the Trust Deed or in respect of any breach by the Bank of any of its obligations under the Bonds or the Trust Deed (other than for recovery of the Trustee's remuneration or expenses). The Bank has undertaken in the Trust Deed to pay English stamp and other duties (if any) on or in connection with the execution of the Trust Deed and English, Belgian and Luxembourg stamp and other duties or taxes (if any) on the constitution and original issue of the Bonds in temporary global or definitive form (provided such stamp and other duties or taxes result from laws applicable on or before the Exchange Date (as defined in the Trust Deed)) and stamp and other duties or taxes (if any) payable in England (but not elsewhere) solely by virtue of and in connection with any permissible proceedings under the Trust Deed or the Bonds, save that the Bank shall not be liable to pay any such stamp or other duties or taxes to the extent that the obligation arises or the amount payable is increased by reason of the holder at the relevant time unreasonably delaying in producing any relevant document for stamping or similar process. Subject as aforesaid, the Bank will not be otherwise responsible for stamp or other duties or taxes otherwise imposed and in particular (but without prejudice to the generality of the foregoing) for any penalties arising on account of late payment where due by the holder at the relevant time. Any such stamp or other duties or taxes that might be imposed upon or in respect of Bonds in temporary global or definitive form or the Coupons (in each case other than as aforesaid) are the liability of the holders thereof.

(E) If payment to any Bondholder of any amount due in respect of the Bonds (other than interest) is improperly withheld or refused (any withholding or refusal effected in reliance upon the proviso to paragraph (A) of this Condition where the relevant law, regulation or order proves subsequently not to be valid or applicable shall be treated, for the purpose of ascertaining entitlement to accrued interest but not for any other purpose, as if it had been at all times an improper withholding or refusal), interest shall accrue, on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed, at the rate of $9\frac{5}{8}$ per cent. per annum on the amount as to which payment has been improperly withheld or refused, from the date of such withholding or refusal, as the case may be, until the date of which notice is given in accordance with Condition 12 that the full amount in pounds sterling payable in respect of such Bond is available for payment or the date of payment, whichever first occurs.

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

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

8. Prescription

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

9. Indemnification of the Trustee

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

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

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including any modification of these Conditions and the provisions of the Trust Deed, except that certain provisions of the Trust Deed (including, *inter alia,* provisions concerning the currency, amount and due dates of payment of interest or principal in respect of the Bonds, and the provisions as to subordination referred to in Condition 2, other than in relation to such provisions as to subordination to the extent that the modification thereof would, in the opinion of the Trustee, not be materially prejudicial to the interests of the Bondholders) may only be modified subject to approval by

Extraordinary Resolution passed at a meeting of Bondholders to which special quorum provisions shall have applied. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not, and on all the Couponholders.

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

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

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

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

11. Replacement of Bonds and Coupons

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

12. Notices

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

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

13. Further Issues

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

14. Governing Law

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

USE OF PROCEEDS

The net proceeds of the issue, which are estimated to amount to approximately £198,648,000, will be used in the general business of the Lloyds Bank Group.

THE LLOYDS BANK GROUP

Description of the Lloyds Bank Group

The Lloyds Bank Group provides a range of banking and financial services, including insurance, in the United Kingdom and overseas. The Bank is the ultimate holding company in the Group, which is organised around market segments.

UK Retail Banking provides banking and financial services to 6 million personal and commercial customers, and operates through 1,960 outlets in the United Kingdom.

Corporate Banking and Treasury brings together a wide range of banking, treasury and other related services for major United Kingdom and multinational companies, banks and institutions.

Private Banking and Financial Services provides private banking, tax and investment services to individuals around the world and administers securities for corporations. It has 46 offices in the United Kingdom and a presence in 18 countries overseas.

International Banking provides banking and financial services through 316 outlets in 15 countries in Australasia, Europe and Latin America, including The National Bank of New Zealand and Schröder Münchmeyer Hengst in Germany. The unit also manages problem country debt.

Lloyds Abbey Life Plc is a listed public company, 60 per cent. owned by the Bank. Its business includes life assurance, pensions, health insurance, unit trusts, insurance broking, estate agency, instalment credit and leasing. The company operates chiefly in the United Kingdom.

As at 31st December, 1992 total assets of the Group were £61 billion and the profit before taxation for the 12 months ended 31st December, 1992 was £801 million.

Directors

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

Sir Robin Ibbs KBE *Chairman*

Michael H R Thompson OBE *Deputy Chairman*
Director of Lloyds Abbey Life Plc and chairman of The German Investment Trust Plc

Sir David Walker *Deputy Chairman*

Eric Swainson CBE *Vice-Chairman*
Vice-Chairman of Fairey Group Plc and a director of AMEC Plc

Brian I Pitman *Chief Executive*

John T Davies *Deputy Chief Executive*

Paul G Brown *Director of UK Retail Banking*

Alan E Moore CBE *Director of Corporate Banking and Treasury*

David B Pirrie *Director of International Banking and Private Banking and Financial Services*

Sir John Hedley Greenborough KBE LLD*
Chairman of Newarthill Plc

Sir Richard Greenbury*
Chairman of Marks & Spencer Plc and a director of Imperial Chemical Industries Plc

Sir William Harding KCMG CVO*
Chairman of The First Spanish Investment Trust Plc and The Thai-Euro Fund Limited

Sir Simon Hornby*
Chairman of W H Smith Group Plc and Lloyds Abbey Life Plc and a director of Pearson Plc

Peter C Nicholson*
Director of Crest Nicholson Plc and chairman of Carisbrooke Shipping Plc

Lord Plumb DL*
Member of the European Parliament and a director of Fisons Plc

Ian M G Prosser*
Chairman and chief executive of Bass Plc and a director of The Boots Company Plc

Sir Michael Quinlan GCB*
Director of the Ditchley Foundation and Pilkington Plc

John M Raisman CBE LLD*
Director of Candover Investments Plc and Tandem Computers Limited and chairman of The Council for Industry and Higher Education

C Russell Smith CBE*
Director of Lloyds Abbey Life Plc and Heywood Williams Group Plc

Sir John Hedley Greenborough and Sir William Harding will be leaving the board after the Annual General Meeting in April.

*Non-executive director

CAPITALISATION OF THE BANK

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

	31st December, 1992
	£m
SHARE CAPITAL AND RESERVES	
Authorised: 1,650,000,000 ordinary shares of £1 each and 1 cumulative floating rate preference share of £1 *(Note a)*	1,650
Issued and fully paid: ordinary shares *(Notes a and b)*	1,270
Reserves	1,460
Total	2,730
MINORITY INTERESTS	535

	28th February, 1993
	£m
UNDATED LOAN CAPITAL *(Notes c, d, g and i)*	
The Bank	
Primary Capital Undated Floating Rate Notes (Series 1) (U.S.$750 million)	528
Primary Capital Undated Floating Rate Notes (Series 2) (U.S.$500 million)	352
Primary Capital Undated Floating Rate Notes (Series 3) (U.S.$600 million)	422
Total	1,302
DATED LOAN CAPITAL *(Notes c, e and f)*	
The Bank	
10¼ per cent. Subordinated Bonds 1998	150
Variable Rate Subordinated Notes 1998 *(Note i)*	200
11⅜ per cent. Subordinated Serial Bonds 1998	100
9⅝ per cent. Subordinated Bonds 2023 (now being issued)	200
Due to a Subsidiary *(Note h)*	
11½ per cent. Guaranteed Bonds 1994 (U.S.$40 million) *(Note g)*	28
Guaranteed Floating Rate Notes 1996 (minimum rate 5 per cent.) *(Note i)*	160
Guaranteed Floating Rate Notes 1997 (U.S.$280 million) *(Notes g and i)*	197
Guaranteed Floating Rate Notes 1998 (U.S.$230 million) *(Notes g and i)*	162
Total	1,197
Total Capitalisation	5,764

Notes:

(a) Save as disclosed in Note (b), there has been no material change in the authorised or issued share capital since 31st December, 1992.

(b) Between 31st December, 1992 and 31st March, 1993 (the latest practicable date prior to the printing of this document) a total of 501,148 ordinary shares of £1 each were issued at prices ranging between 167p per share and 373p per share under the staff savings related share option scheme and the senior executives' share option scheme.

(c) Save for the Bonds now being issued, there has been no material change in undated and dated loan capital since 28th February, 1993.

(d) The series of undated loan capital notes were issued on a subordinated basis and, in certain circumstances, the notes would acquire the characteristics of preference share capital.

(e) Much of the dated loan capital is subject to repayment by periodic instalments. The figures on the right hand side of the table represent in pounds sterling terms the amounts outstanding. Where repayment is due in instalments the year shown is that in which the final instalment falls due.

(f) Much of the dated loan capital is prepayable at the option of the issuer subject to such, if any, prior approval of the Bank of England as may for the time being be required therefor.

(g) Loan capital denominated in U.S. dollars has been translated at the rate of £1 = U.S.$1.4205, being the rate prevailing on 28th February, 1993.

(h) Issued by a subsidiary undertaking under the Bank's subordinated guarantee and on-lent to the Bank on a subordinated basis.

(i) Subject to the minimum rates stated, these notes bear interest at rates fixed periodically in advance based on London interbank rates.

FINANCIAL STATEMENTS OF THE BANK

The following is taken from the Directors' Report & Accounts 1992:

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31st December, 1992

	Note	1992	1991 (restated Note 1(ii))
		£m	£m
Interest income		6,633	7,041
Interest expense		4,407	4,688
Net interest income		2,226	2,353
Other operating income		1,767	1,627
Total income		3,993	3,980
Operating expenses			
Staff		1,385	1,395
Premises and equipment		516	521
Other		557	562
		2,458	2,478
Operating profit before provisions		1,535	1,502
Provisions for bad and doubtful debts	14		
Specific		701	898
General		35	20
		736	918
Provisions for diminution in value of investments		29	—
Operating profit	3	770	584
Share of profits of associated undertakings		31	12
Profit before taxation and exceptional item		801	596
Exceptional item	5	—	29
Profit before taxation		801	625
Taxation	6	280	196
Profit after taxation		521	429
Minority interests		80	84
Profit before extraordinary items		441	345
Extraordinary items	7	—	45
Profit attributable to shareholders	8	441	390
Transfer to non-distributable reserves	25	42	43
Dividends	9	233	209
Transfer to distributable reserves	25	166	138
Earnings per share	10	35.0p	27.7p

BALANCE SHEETS
At 31st December, 1992

	Note	Group 1992	Group 1991 (restated Note 1(ii))	Bank 1992	Bank 1991
		£m	£m	£m	£m
Assets					
Cash and short-term funds	11	8,817	7,220	7,431	5,948
Cheques in course of collection		789	852	775	833
Investments	12	1,784	643	618	113
Advances and other accounts	13	40,549	39,848	29,988	30,362
Balances with subsidiary undertakings.		—	—	5,757	5,512
		51,939	48,563	44,569	42,768
Investments in subsidiary undertakings.	15	—	—	2,011	1,742
Investments in associated *undertakings and trade* investments	16	264	226	166	160
Premises and equipment . .	17	1,794	1,686	1,524	1,424
Long-term assurance business attributable to shareholders	20	912	831	—	—
		54,909	51,306	48,270	46,094
Long-term assurance assets attributable to policyholders	20	6,095	4,795	—	—
		61,004	56,101	48,270	46,094
Liabilities					
Current, deposit and other accounts		49,051	46,223	38,466	37,853
Balances with subsidiary undertakings.		—	—	4,978	4,115
Current and deferred taxation	21	172	21	(257)	(438)
Dividend.		159	142	159	142
		49,382	46,386	43,346	41,672
Dated loan capital	22	1,041	955	973	955
Undated loan capital	23	1,221	991	1,221	991
Minority interests.		535	498	—	—
Share capital and reserves					
Issued share capital . . .	24	1,270	1,254	1,270	1,254
Reserves	25	1,460	1,222	1,460	1,222
		2,730	2,476	2,730	2,476
		54,909	51,306	48,270	46,094
Long-term assurance liabilities to policyholders		6,095	4,795	—	—
		61,004	56,101	48,270	46,094

J R Ibbs *(Chairman)* B I Pitman *(Chief Executive)* C N J Wilks *(Chief Financial Officer)*

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31st December, 1992

	1992	*1991*
	£m	*£m*
Net cash inflow from operating activities *(note 29a)*	1,342	185
Returns on investments and servicing of finance		
Dividends received from associated undertakings	11	8
Dividends paid	(201)	(181)
Dividends paid to minority shareholders in subsidiary undertaking	(44)	(49)
Interest on loan capital	(140)	(181)
Interest element of finance lease rental payments	(9)	—
Net cash outflow from returns on investments and servicing of finance	(383)	(403)
Taxation		
UK corporation tax	14	(54)
Overseas tax	(44)	(18)
Total taxation	(30)	(72)
Investing activities		
Additions to associated undertakings and trade investments	(1)	(2)
Disposals of associated undertakings and trade investments	—	10
Acquisition of subsidiary undertaking *(note 29e)*	(29)	—
Disposal of businesses	—	75
Additions to premises and equipment	(190)	(189)
Disposals of premises and equipment	24	76
Capital injections to life fund	—	(42)
Purchase of shares from minority shareholders	(13)	—
Net cash outflow from investing activities	(209)	(72)
Net cash inflow (outflow) before financing	720	(362)
Financing		
Issue of loan capital	68	—
Issue of ordinary share capital	30	15
Repayments of loan capital	(53)	(11)
Capital element of finance lease rental payments	(35)	—
Net cash inflow from financing	10	4
Increase (decrease) in cash and cash equivalents	730	(358)
Net cash inflow (outflow) attributable to:		
Shareholders and minorities*	337	502
Other balance sheet movements	393	(860)
Increase (decrease) in cash and cash equivalents	730	(358)

*The net cash inflow attributable to shareholders and minorities represents the **net cash flow from trading activities** (note 29a on page 32) adjusted for the items set out in note 29g.

NOTES TO THE ACCOUNTS

1. Accounting policies

Accounting policies are unchanged from those of 1991 with the exception that:—

(i) in 1991 short leaseholds were included at the last booked valuation with subsequent expenditure at cost, less depreciation. In 1992 they are included at original cost and subsequent expenditure less depreciation. The effect of this change on the Group is not material and, correspondingly, no adjustments have been made to comparative figures.

(ii) the Bank has adopted Financial Reporting Standard 2 and has:—

(a) included the long-term assurance assets and liabilities attributable to policyholders separately in the consolidated balance sheet. Comparative figures for 1991 have been restated.

(b) charged to the profit and loss account £20 million in respect of goodwill, previously charged to reserves, on the disposal of the commercial business of Black Horse Agencies Limited, a subsidiary of Lloyds Abbey Life Plc, thus reducing their pre-tax profit for 1991 to £285 million from £305 million. The Bank's consolidated profit and loss account for 1991 has been restated to reflect this adjustment.

(a) Accounting convention

The accounts are prepared under the historical cost convention as modified by the revaluation of investments, premises and long-term assurance business (see *(f)*, *(g)*, *(h)* and *(m)*) in compliance with Sections 255 and 255A, Schedule 9 and other requirements of the Companies Act 1985 and in accordance with applicable accounting standards.

(b) Basis of consolidation

Assets, liabilities and results of subsidiary undertakings and the share of results of associated undertakings are included in the consolidated accounts on the basis of the accounts made up to 31st December. In order to reflect the different nature of the shareholders' and policyholders' interests in the long-term assurance business, the value of long-term assurance business attributable to shareholders and the assets and liabilities attributable to policyholders are classified under separate headings in the consolidated balance sheet.

(c) Premiums and discounts on acquisitions

Premiums and discounts arising on acquisitions of or by subsidiary and associated undertakings are taken direct to reserves in the year of acquisition.

(d) Provisions for bad and doubtful debts

Provisions for bad and doubtful debts are based on the year-end appraisal of advances. The specific element relates to identified risk advances, whereas the general element relates to latent bad and doubtful debts which are present in any portfolio of bank advances but have not been specifically identified.

Advances are written down to estimated realisable value when the normal banking relationship with the customer has ceased; interest on the advance up to that time is credited to the profit and loss account and provision is made where appropriate.

(e) Investments

Premiums and discounts on dated investments, apart from investments held for dealing purposes, are amortised from purchase to maturity in equal annual instalments. Investments held for dealing purposes are included at market value. Investments acquired in exchange for advances to countries experiencing payment difficulties, collateralised by U.S. Treasury securities, are included in the Bank's portfolio of investment securities at an amount based on the market value at the date of exchange as adjusted for the amortisation of discount on acquisition. Investments held within the long-term assurance fund are included on the following basis: stocks, shares, fixed interest securities and unit trusts held for linked funds are valued in accordance with policy conditions at market prices; other stocks and shares and fixed interest securities are valued at middle-market price and other unit trusts at bid price; investment properties are included at valuation by independent valuers at open market value for existing use at 31st December, 1992; and mortgages and loans are included at cost less amounts written off.

(f) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated in the balance sheet of the Bank at its share of net tangible assets, with the exception of the life assurance subsidiary undertakings which are stated on the basis described in *(m)*.

(g) Investments in associated undertakings and trade investments

Investments in associated undertakings are stated at the Group or Bank share of the net tangible assets of the relevant undertakings; trade investments are stated at cost less amounts written off.

(h) Premises and equipment

Freeholds and long leaseholds are included at the last booked valuation on the basis of open market value for existing use or depreciated replacement cost as appropriate. Short leaseholds (50 years or less) and equipment are included at cost less depreciation.

Land is not depreciated. Leasehold premises with unexpired lease terms of 50 years or less are depreciated by equal annual instalments over the remaining period of the lease. Freehold and long leasehold buildings are maintained in a state of good repair and it is considered that residual values, based on prices prevailing at the time of acquisition or subsequent valuation, are such that depreciation is not significant. The costs of adapting premises for the use of the Group are separately identified and depreciated over 10 years, or over the term of the lease if less; such costs are included within the balance sheet total of premises. Equipment is depreciated by equal annual instalments over the estimated useful lives of the assets, which for fixtures, fittings and furnishings are 10-20 years and for computers, motor vehicles and other equipment are 3-6 years.

(i) Leasing and instalment credit transactions

Leasing income is credited to the profit and loss account in proportion to the net cash invested so as to give a constant rate of return over each period after taking account of taxation.

Income from instalment credit transactions is calculated by the sum of the digits method.

Operating lease costs are charged to the profit and loss account in equal annual instalments over the life of the lease.

The interest element of finance lease obligations is charged to the profit and loss account over the life of the lease at a constant proportion of the balance of capital repayments outstanding.

(j) Deferred taxation

Deferred taxation is provided at the appropriate rates of taxation where there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

(k) Pensions

Contributions to the Group's pension schemes are charged to the profit and loss account so as to spread the expected cost of pensions, calculated in accordance with actuarial advice, on a systematic basis over employees' working lives.

Pension arrangements for staff in the U.K. and for the majority of those overseas are operated through defined benefit schemes funded by the Bank. The pension cost relating to these schemes is assessed in accordance with the advice of qualified actuaries, using the projected unit method. Variations from the regular cost are allocated by equal annual instalments over the average remaining service lives of current employees. Arrangements for pensions of certain staff employed overseas who are not included in funded schemes are made in accordance with local regulations and custom.

(l) Foreign currency translation

Assets, liabilities and results in foreign currencies are expressed in sterling at the rates of exchange ruling on the dates of the respective balance sheets.

For countries experiencing hyper-inflation, a charge is made against profits as interest expense to the extent that local inflation erodes the value of the working capital employed during the year. Other exchange adjustments on translation of working capital held abroad and in the UK on account of foreign currency operations and exchange adjustments arising on trade investments, premises and equipment, offset by those on any related currency loan capital, are taken direct to reserves.

(m) Long-term assurance business

The value placed on the Group's long-term assurance business attributable to shareholders represents a prudent valuation of policies in force, together with the net worth of the business, being the net tangible assets and the surplus retained within the long-term assurance funds. This value is determined annually in consultation with independent actuaries and is included separately in the balance sheet.

Changes in the value placed on long-term assurance business attributable to shareholders, which are determined on a post-tax basis, are included in the profit and loss account. For the purpose of presentation, the change in this value is grossed up at the underlying rates of taxation in the long-term assurance funds.

2. Turnover

Turnover of the Group resulted mainly from the business of banking and insurance.

3. Operating profit

Operating profit is stated after taking account of:

	1992	*1991*
	£m	*£m*
Income from:		
Equipment leased to customers and hire purchase contracts: aggregate amounts receivable	1,491	1,628
Increase in value of long-term assurance business	245	249
Listed trade investments	6	4
Other investments including amortisation:		
listed	107	191
unlisted	10	15
Charges:		
Interest on deposits and other accounts	4,274	4,515
Interest on undated loan capital	47	74
Interest on dated loan capital:		
wholly repayable within five years	30	3
not repayable within five years	56	96
Depreciation:		
premises	12	12
equipment—finance leases	19	—
equipment—other	109	104
Rental of premises	120	108
Hire of equipment	40	86
Finance charges—finance leases	9	—
Pension cost	7	12
Lloyds Bank staff profit sharing schemes	28	26

The auditors' remuneration was £3,187,000 (1991: £3,052,000), of which £1,009,000 (1991: £994,000) related to Lloyds Bank Plc. Fees paid to Price Waterhouse in respect of non-audit services were £1,635,000, of which £1,041,000 related to U.K. companies.

The total pension cost for the Group in 1992 was £7 million (1991: £12 million), which included a credit of £9 million (1991: £8 million credit) relating to the main pension scheme.

Full actuarial valuations of the main scheme are carried out every three years with interim reviews in the intervening years. At 30th June, 1990, the date of the latest full actuarial valuation, the principal actuarial assumptions adopted were that, over the long term, the annual rate of return on new investments would be 2.5 per cent. higher than the annual increase in pensionable remuneration and 4.5 per cent. higher than the annual increase in present and future pensions in payment, and 4.5 per cent. higher than the annual increase in dividends receivable. The market value of the assets of the main scheme at this date was £3,236 million. The actuarial value of the assets represented 134 per cent. of the accrued liabilities allowing for future increases in pensions and pensionable remuneration.

For funding purposes, the surplus on the main scheme is being eliminated by a reduction in the Bank's contribution rate to the average rate of normal contributions paid by members to the scheme. It is anticipated that contributions on this basis will be required from the bank for the foreseeable future. Contribution rates to other schemes have been adjusted to take account of surpluses and deficiencies.

The Group provides post-retirement health care benefits to some 6,800 employees, retired employees and dependent relatives. The present value of the accumulated post-retirement benefit obligation for the Group is estimated at some £51 million for which no provision has been made in the accounts. Costs are charged to the profit and loss account as they fall due. The total cost for the Group in 1992 was £3 million (1991: £2 million); the charge to the profit and loss account would have been materially different under an accruals method of accounting.

4. Segment analysis

	Profit before taxation	
	1992	*1991†*
	£m	*£m*
Class of business:		
U.K. Retail Banking	5	105
Corporate Banking and Treasury	174	(1)
Lloyds Abbey Life	298	285
Private Banking and Financial Services	65	69
International Banking	87	75
Lloyds Merchant Bank	(21)	1
Problem Country Debt	193	62
	801	596
Exceptional item	—	29
	801	625
Geographical area:		
Domestic	476	451
International	132	112
Problem Country Debt	193	62
	801	625

Interest earned on centrally held funds of Lloyds Bank Plc, after deducting unallocated central items, is credited to the appropriate business units based on their profit contribution before provisions for bad and doubtful debts.

	Net assets		Assets*	
	1992	*1991†*	*1992*	*1991†*
	£m	*£m*	*£m*	*£m*
Class of business:				
U.K. Retail Banking	874	768	22,233	24,237
Corporate Banking and Treasury	524	431	17,449	14,583
Lloyds Abbey Life	1,322	1,223	4,348	4,370
Private Banking and Financial Services	62	49	2,199	2,204
International Banking	361	387	6,895	4,690
Lloyds Merchant Bank	76	77	221	305
Problem Country Debt	46	39	1,564	917
	3,265	2,974	54,909	51,306
Geographical area:				
Domestic	2,668	2,408	39,685	40,133
International	551	527	13,660	10,256
Problem Country Debt	46	39	1,564	917
	3,265	2,974	54,909	51,306

Net assets represent shareholders' funds plus minority interests. Disclosure of information on net assets is an accounting standard requirement (SSAP25); it is not appropriate to relate it directly to the segmental profits above because the business is not managed by the allocation of net assets to business units.

The geographical distribution of profit before taxation and assets by domestic and international operations is based primarily upon the location of the office recording the transaction. The operations of the Group which are domiciled in the U.K., however, are allocated between domestic and international depending on the location of the main source of their business.

†1991 figures have been restated for Lloyds Abbey Life (see note 1(ii)) and to take account of minor changes to the organisation at the end of 1991.

*Assets exclude long-term assurance assets attributable to policyholders.

5. Exceptional item

In 1991, the exceptional item of £29 million represented a release of provisions by the associated undertaking, 3i Group Plc.

6. Taxation

	1992	*1991*
	£m	*£m*
The Bank and its subsidiary undertakings:		
UK corporation tax charge	145	154
Relief for overseas taxation	(10)	(15)
Overseas taxation	43	53
Deferred taxation	96	(3)
	274	189
Associated undertakings	6	7
	280	196

The charge for taxation on the profit for the year is based on a UK corporation tax rate of 33 per cent. (1991: average 33.25 per cent.). Deferred taxation includes a charge of £51 million in respect of the release of problem country debt provisions for which deferred tax relief was previously assumed (note 21).

7. Extraordinary items

In 1991, extraordinary items of £45 million (taxation: nil) represented a net profit of £28 million on the sale of international businesses and a profit of £17 million on the sale of the Bank's investment in Signet Limited.

8. Profit attributable to the shareholders

The profit attributable to the shareholders includes a profit of £281 million (1991: £234 million) dealt with in the accounts of the parent company, for which no profit and loss account is shown as permitted by Section 230(4) of the Companies Act 1985.

9. Dividends

	1992	*1991*	1992	1991
	pence per share	*pence per share*	*£m*	*£m*
Interim	5.9	5.4	74	67
Final	12.5	11.3	159	142
	18.4	16.7	233	209

During 1992, £15 million (1991: £14 million) was transferred to reserves in respect of shares issued instead of cash, representing £9 million in respect of the 1991 final dividend and £6 million in respect of the 1992 interim dividend.

10. Earnings per share

	1992	*1991*
Profit before extraordinary items	£441m	£345m
Weighted average number of shares in issue during the year	1,261m	1,247m
Earnings per share	35.0p	27.7p

The figures for fully diluted earnings per share are not materially different.

11. Cash and short-term funds

	1992	1991
	£m	£m
Group		
Cash in hand and with central banks	681	504
Money at call and short notice	3,298	2,908
Treasury and other bills	2,957	2,480
Certificates of deposit	1,881	1,328
	8,817	7,220
Bank		
Cash in hand and with central banks	546	404
Money at call and short notice	2,562	2,189
Treasury and other bills	2,481	2,074
Certificates of deposit	1,842	1,281
	7,431	5,948

12. Investments

	1992	1992	1991	1991
	Balance sheet	*Valuation*	*Balance sheet*	*Valuation*
	£m	£m	£m	£m
Group				
Listed British Government securities	58	58	45	45
Others listed in Great Britain	—	—	5	5
Others listed outside Great Britain	742	741	283	283
	800	799	333	333
Unlisted: collateralised bonds	501	516	—	—
: other	483	504	310	318
	1,784	1,819	643	651
Investment dealing portfolio included above:				
Listed British Government securities	58		—	
Others listed outside Great Britain	372		158	
Unlisted	104		25	
	534		183	
Bank				
Listed British Government securities	58	58	45	45
Others listed outside Great Britain	18	15	18	18
	76	73	63	63
Unlisted: collateralised bonds	492	509	—	—
: other	50	58	50	50
	618	640	113	113
Investment dealing portfolio included above:				
Listed British Government securities	58		—	
Others listed outside Great Britain	2		2	
Unlisted	14		6	
	74		8	

13. Advances and other accounts

	Group		Bank	
	1992	*1991*	*1992*	*1991*
	£m	*£m*	*£m*	*£m*
Advances to customers	37,114	37,305	30,553	31,971
Hire purchase debtors	785	822	—	—
Equipment leased to customers	2,745	2,853	—	—
Customer lending	40,644	40,980	30,553	31,971
Provisions for bad and doubtful debts	(3,854)	(3,967)	(3,552)	(3,738)
	36,790	37,013	27,001	28,233
Placings with banks (over 1 month)	2,031	1,318	1,714	983
Other accounts	1,728	1,517	1,273	1,146
	40,549	39,848	29,988	30,362

Equipment leased to customers at 31st December, 1992 includes £298 million under operating leases, net of accumulated depreciation of £40 million (1991: £287 million net of accumulated depreciation of £27 million). The cost of assets acquired during the year for letting to customers under leases and hire purchase contracts amounted to £1,009 million (1991: £1,152 million).

14. Provisions for bad and doubtful debts

	1992 Specific	*1992 General*	*1991 Specific*	*1991 General*
	£m	*£m*	*£m*	*£m*
Group				
At 1st January	3,791	176	3,448	154
Exchange adjustments	279	4	36	2
Adjustments on acquisitions and disposals	21	22	(1)	—
Advances written off	(900)	—	(630)	—
Transfer of provision for collateralised bonds to investments	(323)	—	—	—
Recoveries of advances written off in previous years	48	—	40	—
Charge to profit and loss account	701	35	898	20
At 31st December	3,617	237	3,791	176
	3,854		3,967	
Bank				
At 1st January	3,603	135	3,268	114
Exchange adjustments	262	4	38	1
Adjustments on disposals	—	—	(1)	—
Advances written off	(772)	—	(487)	—
Transfer of provision for collateralised bonds to investments	(313)	—	—	—
Recoveries of advances written off in previous years	32	—	24	—
Charge to profit and loss account	566	35	761	20
At 31st December	3,378	174	3,603	135
	3,552		3,738	

15. Investments in subsidiary undertakings

The principal subsidiary undertakings, all of which prepare accounts to 31st December and whose results are included in the consolidated accounts of Lloyds Bank Plc, are:—

	Country of registration/ incorporation	*Percentage of equity share capital and voting rights held*	*Nature of business*
Lloyds Abbey Life Plc*	England	60%	Life assurance and other financial services
Lloyds Bank (BLSA) Limited.	England	100%	Banking and financial services
Lloyds Bank Factors Limited	England	100%	Credit factoring
Lloyds Leasing Limited	England	100%	Financial leasing
Lloyds Merchant Bank Limited	England	100%†	Merchant banking and corporate finance advice
Lloyds Private Banking Limited	England	100%	Private banking
Schröder Münchmeyer Hengst & Co‡	Germany	91%†	Commercial and investment banking
The National Bank of New Zealand Limited	New Zealand	100%†	Banking and financial services

*Lloyds Abbey Life Group includes undertakings audited by a firm other than Price Waterhouse.
†Indirect interest.
‡Partnership.

The country of registration/incorporation is also the principal area of operation for each of the above subsidiary undertakings except as follows:—

Lloyds Bank (BLSA) Limited operates in Spain, Argentina, Ecuador and Uruguay. The National Bank of New Zealand Limited also operates through representative offices in the UK, USA and Japan.

16. Investments in associated undertakings and trade investments

	1992 Balance sheet	*1991 Valuation*	*1992 Balance sheet*	*1991 Valuation*
	£m	*£m*	*£m*	*£m*
Group				
Associated undertakings (all unlisted)	173	173	144	144
Trade investments — listed	44	64	44	46
— unlisted	47	52	38	40
	264	289	226	230
Bank				
Associated undertakings (all unlisted)	119	119	114	114
Trade investments — listed	44	64	44	46
— unlisted	3	7	2	3
	166	190	160	163

Balance sheet amount for the investments in associated undertakings comprise:

	1992 Balance sheet	1991 Balance sheet
	£m	£m
Group		
Shares	52	52
Retained post-acquisition reserves	121	92
	173	144
Bank		
Shares	32	32
Retained post-acquisition reserves	87	82
	119	114

In addition, loans to associated undertakings from the Bank and its subsidiary undertakings made in the ordinary course of business amounting to £47 million (1991: £53 million) are included in advances.

Principal associated undertakings	*Issued share and loan capital (based on latest audited accounts)*	*Interest of Lloyds Bank Plc*	*Nature of business*
Banco Multiplic SA *Year end: 31st December*	Ordinary NCz$474m Preferred NCz$474m	33%* 67%*	Banking and financial services
3i Group Plc† *Year end: 31st March*	Ordinary £236m Loan capital £892m	13% —	Investment capital

*Indirect interest.
†In the case of 3i Group Plc, which is owned by a consortium of UK clearing banks and the Bank of England, unaudited interim statements made up to 30th September have been used as the basis for consolidation.

The accounts of the above undertakings are audited by firms other than Price Waterhouse.

Banco Multiplic SA is incorporated in Brazil which is also its principal area of operation.

3i Group Plc, which is registered in England, operates throughout the UK.

17. Premises and equipment

	Group		*Bank*	
	Premises	*Equipment*	*Premises*	*Equipment*
	£m	*£m*	*£m*	*£m*
Cost or valuation:				
At 31st December, 1991	1,205	948	1,016	785
Exchange adjustments	17	25	10	10
Additions — finance leases	—	115	—	115
— other	60	130	57	98
Acquisition of subsidiary undertaking	4	3	—	—
Disposals	(10)	(89)	(4)	(69)
Deficit on revaluation of overseas premises	(18)	—	(4)	—
Permanent diminution in value of major Central London properties	(50)	—	(49)	—
At 31st December, 1992	1,208	1,132	1,026	939

	Group		Bank	
	Premises	*Equipment*	*Premises*	*Equipment*
	£m	*£m*	*£m*	*£m*
Depreciation:				
At 31st December, 1991	25	442	19	358
Charge for the year	12	128	11	105
Exchange adjustments	1	15	1	8
Disposals	—	(77)	—	(61)
At 31st December, 1992	38	508	31	410
Balance sheet amount at 31st December, 1992	1,170	624	995	529
	1,794		1,524	
Balance sheet amount at 31st December, 1991	1,180	506	997	427
	1,686		1,424	

Equipment includes assets held under finance leases which at 31st December, 1992 amounted to £96 million, net of accumulated depreciation of £19 million (1991: £nil, net of accumulated depreciation of £nil).

	Group		Bank	
	1992	*1991*	*1992*	*1991*
	£m	*£m*	*£m*	*£m*
Balance sheet amount of premises comprises:				
Freeholds	900	908	753	748
Leaseholds 50 years and over unexpired	167	170	157	164
Leaseholds less than 50 years unexpired	103	102	85	85
	1,170	1,180	995	997
Balance sheet amount of premises comprises:				
Valued in 1990	791	905	784	876
Valued in 1991	—	140	—	31
Valued in 1992	180	—	59	—
At cost	199	135	152	90
	1,170	1,180	995	997

In determining the permanent diminution in value of major Central London properties, the directors have been advised by the Bank's professionally qualified staff who are corporate members of the Royal Institution of Chartered Surveyors. The valuations of the overseas premises included in the balance sheet in 1992 were carried out by external valuers, principally Kurt Weber in Germany, Darroch & Co Limited in New Zealand and Invercame II in Spain. The accounting policy for valuations is set out on page 17 in Accounting Policy *(h)*.

18. Lease commitments

At 31st December, commitments under operating leases, in respect of payments due to be made in the following year, were:

	1992 Premises	*1992 Equipment*	*1991 Premises*	*1991 Equipment*
	£m	*£m*	*£m*	*£m*
Group				
Leases on which the commitment is due to expire:				
Within one year	4	9	2	13
Between one and five years	11	27	9	66
After five years	89	—	94	—
	104	36	105	79
Bank				
Leases on which the commitment is due to expire:				
Within one year	3	4	1	10
Between one and five years	6	19	3	57
After five years	66	—	74	—
	75	23	78	67

At 31st December, obligations under finance leases were:

	1992 Equipment	*1991 Equipment*
	£m	*£m*
Group		
Amounts payable:		
Within one year	41	1
Between one and five years	44	2
	85	3
Bank		
Amounts payable:		
Within one year	38	—
Between one and five years	42	—
	80	—

19. Capital commitments

	Group		*Bank*	
	1992	*1991*	*1992*	*1991*
	£m	*£m*	*£m*	*£m*
Capital expenditure not provided for in these accounts comprises:				
Contracts	35	66	29	65
Authorised by directors but not contracted	48	85	19	84

20. Long-term assurance business

	1992	1991
	£m	£m
The value of long-term assurance business attributable to shareholders included in the consolidated balance sheet comprises:		
Net tangible assets of life companies	75	73
Surplus retained within the long-term assurance funds	150	140
Net worth of life companies	225	213
Value of policies in force	687	618
	912	831
The long-term assurance assets attributable to policyholders are:		
Investments	6,377	5,062
Value of policies in force	687	618
Premises and equipment	28	25
Net current liabilities	(85)	(79)
	7,007	5,626
Long-term assurance business attributable to shareholders	(912)	(831)
	6,095	4,795
Investments shown above comprise:		
Fixed interest securities	1,143	949
Stocks, shares and unit trusts	3,828	2,794
Investment properties	385	422
Other properties	22	11
Mortgages and loans	110	110
Deposits	889	776
	6,377	5,062

The increase in the value of the long-term assurance business included in the consolidated profit and loss account for the year ended 31st December, 1992 amounted to £245 million before tax; £163 million after tax (1991: £249 million before tax; £180 million after tax).

In determining the value of the long-term assurance business in force, assumptions relating to future mortality, persistence and levels of expenses are based on experience of the type of business concerned. Gross investment returns assumed vary depending upon the type of asset to which they relate. Profits expected to arise in the future from business currently in force are discounted at 12.5 per cent. per annum after provision has been made for taxation.

21. Current and deferred taxation

	Group		Bank	
	1992	1991	1992	1991
	£m	£m	£m	£m
Current taxation	128	51	48	(40)
Deferred taxation relating to:				
Short-term timing differences	(21)	(22)	1	(12)
Provisions for problem country exposure	(202)	(260)	(201)	(258)
Accelerated depreciation allowances	370	366	(5)	(14)
Advance corporation tax recoverable	(103)	(114)	(100)	(114)
At 31st December	172	21	(257)	(438)

Of the £58 million movement in the deferred tax balance relating to provisions for problem country exposure, £51 million relates to provisions released to profit and loss account (note 6) and £7 million to changes in tax allowable provision levels.

	Group		Bank	
	1992	*1991*	*1992*	*1991*
	£m	*£m*	*£m*	*£m*
Potential taxation for which no provision has been made relating to accelerated depreciation allowances on:				
Equipment used in the business	41	43	41	43
Equipment leased to customers	72	72	—	—
	113	115	41	43

Provision has been made for the liability to taxation on overseas earnings which are expected to be remitted to the UK. No provision has been made for the liability to taxation which could arise if premises or subsidiary undertakings were disposed of at their balance sheet amounts or investments in associated undertakings and trade investments at their valuation; it is expected that the majority of these assets will be retained in the business and that, in the case of premises, the likelihood of any material taxation liability arising is remote due to rollover relief being available.

22. Dated loan capital

	1992	*1991*
	£m	*£m*
11½% Guaranteed Bonds 1994 (U.S.$40 million)*	26	32
Guaranteed Floating Rate Notes 1996 (minimum rate 5%)*†	160	200
Guaranteed Floating Rate Notes 1997 (U.S.$280 million)*†	185	150
10¼% Subordinated Bonds 1998‡	150	150
Variable Rate Subordinated Notes 1998†‡	200	200
Guaranteed Floating Rate Notes 1998 (U.S.$230 million)*†	152	123
11⅜% Subordinated Serial Bonds 1998‡	100	100
Bank	973	955
Subordinated Fixed Rate Bonds 2003 (N.Z.$200 million)§	68	—
Group	1,041	955

* Issued by a subsidiary undertaking under the Bank's subordinated guarantee and on-lent on the Bank on a subordinated basis.
†Subject to the minimum rate stated, these notes bear interest at rates fixed periodically in advance based on London Interbank rates.
‡Issued by the Bank on a subordinated basis.
§These bonds bear interest, to be reset in 1998, at a fixed margin over New Zealand Government stocks.

In addition, £33 million (1991: £nil) of dated loan capital which does not qualify as such under Bank of England definitions is included in current, deposit and other accounts.

23. Undated loan capital

	1992	*1991*
	£m	*£m*
Primary Capital Undated Floating Rate Notes:		
Series 1 (U.S.$750 million)	495	402
Series 2 (U.S.$500 million)	330	268
Series 3 (U.S.$600 million)	396	321
	1,221	991

The notes were issued on a subordinated basis with interest at rates fixed periodically in advance based on the London Interbank Offered Rate. In certain circumstances, they would acquire the characteristics of preference share capital.

24. Share capital

	1992	1991
	£m	£m
*Authorised: ordinary shares of £1 each	1,650	1,650
Issued and fully paid: ordinary shares of £1 each		
At 1st January	1,254	1,241
Issued under employees' share schemes	12	9
Issued instead of cash dividends	4	4
At 31st December	1,270	1,254

* *Includes one cumulative floating rate preference share of £1.*

Under the staff savings-related share option scheme and the senior executives' share option schemes, options may be granted enabling members of staff to subscribe for ordinary shares. At 31st December, 1992, options exercisable between 1993 and 2002 at prices ranging from 167p to 426p per share were outstanding in respect of 48 million shares.

25. Reserves

	Group	Bank	Associated undertakings
	£m	£m	£m
At 1st January, 1992	1,222	1,222	92
Premium arising on issue of shares	18	18	—
Deficit on revaluation of overseas premises	(18)	(2)	—
Permanent diminution in value of UK properties	(48)	—	—
Premium on acquisition	(6)	—	—
Discount on acquisition	6	—	—
Shares issued instead of cash dividends:			
Transfer from dividends	15	15	—
Nominal value of share capital issued	(4)	(4)	—
Exchange adjustments	67	(17)	14
Increase in net tangible assets of subsidiary and associated undertakings	—	180	—
Transfer from profit and loss account:			
Distributable	166	48	15
Non-distributable	42	—	—
At 31st December, 1992	1,460	1,460	121

Reserves of the Group at 31st December, 1992 include a surplus over cost on revaluation of premises of £nil (1991: £64 million) and the share premium account of the Bank amounting to £17.7 million (1991: £3.3 million). The Group reserves at 31st December also include £216 million (1991: £172 million) not presently available for distribution representing the Group's share of the value of long-term assurance business in force and the surplus retained within the long-term assurance funds.

In addition to the share premium account, reserves of the Bank include a revaluation reserve of £885 million (1991: £705 million) arising from the revaluation of investments in subsidiary and associated undertakings.

The cumulative amount of premiums on acquisitions written off against reserves during the current and previous years amounted to £154 million of which £118 million has been written off over the last ten years.

26. Directors' interests

The interests, all beneficial, of those who were directors at 31st December, 1992 in shares in the Bank and its subsidiaries were:

Shares

	Lloyds Bank Plc		*Lloyds Abbey Life Plc*	
	At 31st December, 1992	*At 1st January, 1992 or later date of appointment*	*At 31st December, 1992*	*At 1st January, 1992 or later date of appointment*
P G Brown	30,329	8,953		
J T Davies	87,349	45,049		
Sir John Hedley Greenborough	2,594	1,563		
Sir Richard Greenbury	250	250		
Sir William Harding	750	750		
Sir Simon Hornby	1,500	1,500	1,000	1,000
Sir Robin Ibbs	5,058	3,834		
A E Moore	129,331	126,118		
Sir Jeremy Morse	15,589	15,589		
P C Nicholson	1,000	1,000		
D B Pirrie	25,892	9,140		
B I Pitman	468,622	233,019		
Lord Plumb	1,759	1,687		
I M G Prosser	1,573	1,573		
Sir Michael Quinlan	1,000	1,000		
J M Raisman	13,582	13,023		
C R Smith	13,329	13,124		
Eric Swainson	1,048	1,005		
M H R Thompson	247,531	242,571		
Sir David Walker	500	250		

Sir Simon Hornby also had a non-beneficial interest in 7,000 shares in the Bank at the beginning and end of the year.

Options to subscribe for shares

	At 1st January, 1992	*Granted during the year (exercisable between 1995 and 2002)*		*Exercised during the year*	*At 31st December, 1992*
		Options	*Price*		
P G Brown	159,553	40,000	371p	69,205	130,926
		578	311p		
J T Davies	183,681	60,000	371p	39,966	205,161
		1,446	311p		
A E Moore	212,776	37,000	371p	93,102	157,252
		578	311p		
Sir Jeremy Morse	150,00				150,000
D B Pirrie	221,118	40,000	371p	61,023	200,673
		578	311p		
B I Pitman	398,224	90,000	371p	226,300	262,502
		578	311p		
M H R Thompson	2,714			761	1,953

Options outstanding were exercisable at prices between 192p and 371p per share.

None of the other directors at 31st December, 1992 had options to subscribe for shares in the Bank or its subsidiaries and no director had an interest in the loan capital of the Bank or its subsidiaries.

There were no changes in directors' interests in the shares in the Bank and its subsidiaries between 31st December, 1992 and 11th February, 1993.

27. Emoluments of directors

	1992	1991
	£000	£000
Fees	248	199
Performance-related payments	333	20
Other emoluments	2,044	2,361
	2,625	2,580
Pensions paid to past directors and their dependants	110	114
	2,735	2,694

Performance-related payments, based on improvement in earnings per ordinary share and the achievement of other predetermined targets, were made in March 1992 and related to the performance of the Bank and the directors concerned during 1991. (Amounts paid in 1991 related to 1990 performance.) At the date of approval of the accounts, it was not possible to determine the extent to which targets for 1992 had been achieved. Any amounts to be paid for 1992 performance will, therefore, be disclosed in the next accounts.

The emoluments, excluding employer's pension contributions, of the Chairman, which did not include any performance-related payment, were £252,089 (1991: £235,407), after he had waived remuneration of £30,000 (1991: 40,014. In 1991, two directors, including the Chairman, waived rights to receive emoluments totalling £50,014).

The emoluments, excluding employer's pension contributions, of the highest paid director were £419,581, *including a performance-related payment of £125,000. (In 1991, the highest paid director,* who was chairman and managing director of a listed subsidiary, received emoluments totalling £420,112.)

The following table shows the number of other directors whose emoluments, excluding employer's pension contributions, fell within the bands stated:

Emoluments £	*No. of directors* 1992	1991	*Emoluments* £	*No. of directors* 1992	1991
Up to 5,000	1	1	110,001 to 115,000	—	1
5,001 to 10,000	2	3	120,001 to 125,000	1	—
10,001 to 15,000	—	2	140,001 to 145,000	—	1
15,001 to 20,000	2	3	150,001 to 155,000	1	1
20,001 to 25,000	2	2	155,001 to 160,000	—	1
25,001 to 30,000	—	1	160,001 to 165,000	—	1
35,001 to 40,000	1	1	175,001 to 180,000	—	1
40,001 to 45,000	1	—	200,001 to 205,000	1	—
45,001 to 50,000	1	1	205,001 to 210,000	1	—
50,001 to 55,000	1	—	230,001 to 235,000	1	—
90,001 to 95,000	1	—	245,001 to 250,000	1	—
95,001 to 100,000	1	—	270,001 to 275,000	—	1
100,001 to 105,000	—	1			

28. Transactions, arrangements and agreements involving directors and others

At 31st December, 1992, transactions, arrangements and agreements entered into by the Bank or its subsidiaries with directors and connected persons and with officers of the Bank included:

	Number of persons	*Total £000*
Directors and connected persons:		
Loans and credit card transactions	25	318
Guarantees	1	132
Officers:		
Loan and credit card transactions	26	1,369

29. Consolidated cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	1992	1991
	£m	£m
Operating profit	770	584
Adjustment for goodwill on disposal	—	20
(Increase) decrease in interest receivable and prepaid expenses	(144)	89
Increase (decrease) in interest payable and accrued expenses	262	(154)
Provisions for bad and doubtful debts	736	918
Net advances written off	(852)	(590)
Provisions for diminution in value of investments	29	—
Increase in value of long-term assurance business	(245)	(249)
Transfer from life fund	97	108
Interest on loan capital	133	173
Profit on disposal of premises and equipment	(2)	(15)
Permanent diminution in value of properties	2	—
Interest element of finance lease rental payments	9	—
Depreciation	140	116
Net cash flow from trading activities	935	1,000
Net decrease in customer lending	2,755	2,581
Net decrease in other debtors	39	690
Net increase in short-term funds (over 3 months)	(1,130)	(225)
Net decrease in current and deposit accounts with customers and others	(1,253)	(1,523)
Net increase (decrease) in deposits from banks	1,295	(1,977)
Net decrease in other creditors	(17)	(397)
(Increase) decrease in investments	(1,268)	93
Decrease (increase) in cheques in course of collection	69	(65)
Other non-cash movements	(83)	8
Net cash inflow from operating activities	1,342	185

(b) Analysis of cash and cash equivalents as shown in the balance sheet

	1992	1991
	£m	£m
Cash and short-term funds (note 11)	8,817	7,220
Placings with banks (over 1 month) (note 13)	2,031	1,318
Less short-term funds (over 3 months):		
Certificates of deposit	479	344
Treasury and other bills	763	337
Money at short notice and placings with banks	2,041	1,357
	7,565	6,500

The Group is required to maintain balances with the Bank of England which, at 31st December, 1992, amounted to £104 million (1991: £116 million).

(c) Analysis of changes in cash and cash equivalents during the year

	1992	1991
	£m	£m
At 1st January	6,500	6,784
Net cash inflow (outflow) before adjustments for the effect of foreign exchange rate changes	730	(358)
Effect of foreign exchange rate changes	335	74
At 31st December	7,565	6,500

(d) Analysis of changes in financing during the year

	Share capital (including premium) 1992	1991
	£m	£m
At 1st January	1,257	1,242
Cash inflow from financing	30	15
At 31st December	1,287	1,257

	Loan capital and finance leases 1992	1991
	£m	£m
At 1st January	1,946	1,915
Effect of foreign exchange rate changes	301	42
Cash inflow (outflow) from financing	15	(11)
Additions of finance leases	115	—
Capital repayments	(35)	—
At 31st December	2,342	1,946

(e) Analysis of the net (outflow) inflow of cash and cash equivalents in respect of the acquisition of a subsidiary undertaking/disposal of businesses	1992 Acquisition	1991 Disposals
	£m	£m
Cash consideration paid	(95)	—
Cash and cash equivalents acquired	66	—
Cash consideration received	—	177
Disposal of cash and cash equivalents	—	(102)
Net (outflow) inflow of cash and cash equivalents	(29)	75

(f) Acquisition of subsidiary undertaking/disposal of businesses	1992 Acquisition	1991 Disposals
	£m	£m
Net assets acquired/disposed of:		
Cash and cash equivalents	(66)	102
Advances and other accounts	(670)	311
Other monetary assets	(167)	42
Investments in associated undertakings	—	24
Premises and equipment	(7)	27
Current and deposit accounts and other liabilities	785	(374)
	(125)	132
Discount arising on consolidation	6	—
Profit on disposal	—	45
	(119)	177

	1992	1991
	£m	*£m*
Satisfied by:		
Cash: deferred	(24)	—
(paid) received	(95)	177
	(119)	177

(g) Net cash flow attributable to shareholders and minorities	*1992*	*1991*
	£m	*£m*
Net cash inflow (outflow) from:		
Trading activities (note 29a)	935	1,000
Returns on investments and servicing of finance	(383)	(403)
Total taxation	(30)	(72)
Investing activities*	(180)	(38)
Issue of ordinary share capital	30	15
Capital element of finance lease rental payments	(35)	—
	337	502

*Net cash outflow attributable to shareholders from investing activities excludes that relating to net interest-earning assets in respect of the acquisition of a subsidiary undertaking/disposal of businesses.

30. Off-balance sheet instruments and other commitments and contingent liabilities

Lloyds Bank enters into various transactions during the course of its business involving acceptances, endorsements, guarantees, performance bonds and similar arrangements. In addition, various transactions are undertaken involving off-balance sheet financial instruments. The amounts shown below are intended to provide an indication of the volume of business transacted and do not necessarily represent the underlying credit or other risks.

	Group		*Bank*	
	1992	*1991*	*1992*	*1991*
	£m	*£m*	*£m*	*£m*
Contingent liabilities				
Acceptances and endorsements	892	820	636	512
Guarantees	2,045	2,101	2,749	2,759
Other				
Other items serving as direct credit substitutes	181	156	161	221
Performance bonds and other transaction-related contingencies	947	929	680	704
Other contingent liabilities	206	121	164	99
	1,334	1,206	1,005	1,024
	4,271	4,127	4,390	4,295
Commitments				
Documentary credits and other short-term trade-related transactions	308	319	225	253
Forward asset purchases and forward forward deposits placed	665	528	702	695
Undrawn note issuing and revolving underwriting facilities	85	201	53	167
Undrawn formal standby facilities, credit lines and other commitments to lend:				
One year or over maturity	1,853	2,157	1,667	2,042
Less than one year maturity	9,296	8,945	7,933	7,522
Other commitments	255	132	255	110
	12,462	12,282	10,835	10,789

The underlying principal amount of exchange rate and interest rate contracts, the risk weighted amount calculated according to Bank of England principles and the replacement cost obtained by marking to market contracts and aggregating those with a positive value are:

	Group		*Bank*	
	1992	*1991*	*1992*	*1991*
	£m	*£m*	*£m*	*£m*
Exchange rate contracts				
Underlying principal amount	141,918	94,920	126,865	83,987
Risk weighted amount	1,374	1,027	1,223	893
Replacement cost	4,404	3,258	4,084	3,021
Interest rate contracts				
Underlying principal amount	165,871	94,524	161,667	91,476
Risk weighted amount	389	170	356	138
Replacement cost	1,403	626	1,294	531

31. Effect of acquisition

During the year, The National Bank of New Zealand Limited purchased the whole of the issued share capital of The Rural Bank Limited for a consideration of NZ$350 million (£119 million) in cash. This purchase has been accounted for in accordance with UK acquisition accounting principles and accounting standard FRS2.

Discount arising on consolidation amounting to a total of £6 million has been taken direct to reserves in accordance with Group policy.

The results of The Rural Bank Limited have been included in the consolidated accounts of the Group with effect from 18th December, 1992; the effect on the results of the Group is not material.

32. Date of approval

The directors approved the accounts on 11th February, 1993.

AUDITORS' REPORT

To the members of Lloyds Bank Plc

We have audited the accounts on pages 4 to 16[1] in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 31 December, 1992 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
Chartered Accountants and Registered Auditor

Southwark Towers
32 London Bridge Street
London SE1 9SY

11 February, 1993

Note:

[1] The page numbers mentioned in the Auditors' Report refer to pages of the Directors' Report & Accounts 1992. These pages correspond to pages 13 to 36 inclusive of this Offering Circular.

UNITED KINGDOM TAXATION

The comments below are of a general nature based on current United Kingdom law and practice. They relate only to the position of persons who are the absolute beneficial owners of their Bonds and Coupons and may not apply to certain classes of persons such as dealers. Any Bondholders who are in doubt as to their personal tax position should consult their professional advisers.

Interest

While the Bonds continue to be quoted on a recognised stock exchange within the meaning of Section 841 of the Income and Corporation Taxes Act 1988, payments of interest may be made without withholding or deduction for or on account of income tax where:—

(a) the payment of interest is made by an overseas paying agent; or

(b) the payment is made by or through a person who is in the United Kingdom but:—

(i) an appropriate form of declaration of non-residence is provided by or on behalf of the person who is the beneficial owner of the Bonds and entitled to the interest (or, if the interest is deemed for tax purposes to be income of any other person, by or on behalf of that person) and is provided to the paying agent; or

(ii) the Bonds and the related Coupons are held in a "recognised clearing system". Euroclear and Cedel have each been designated as a "recognised clearing system" for this purpose.

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

A collecting agent in the United Kingdom obtaining payment of interest whether in the United Kingdom or elsewhere, in circumstances where no withholding or deduction for or on account of United Kingdom income tax has fallen to be made by the person paying the interest, or realising in the United Kingdom any interest, on behalf of a holder of a Bond or Coupon must withhold or deduct tax unless it is proved on a claim in that behalf made in advance to the satisfaction of the Inland Revenue that the person who is the beneficial owner of the Bond and entitled to the interest is not resident in the United Kingdom and the interest is not deemed for tax purposes to be income of any other person.

The interest on the Bonds has a United Kingdom source and accordingly will be chargeable to income tax by direct assessment even if the interest is paid without withholding or deduction. However, based on Inland Revenue Extra-Statutory Concession ESC B13 the interest will not be assessed to United Kingdom tax in the hands of Bondholders who are not regarded as resident in the United Kingdom for the whole of the relevant year of assessment, except where such persons:

(a) are chargeable in the name of a trustee or other representative mentioned in Section 72 of the Taxes Management Act 1970 or in the name of an agent or branch in the United Kingdom having the management or control of the interest; or

(b) seek to claim relief in respect of taxed income from United Kingdom sources; or

(c) are chargeable to corporation tax on the income of a United Kingdom branch or agency to which the interest is attributable; or

(d) are chargeable to income tax on the profits of a trade carried on in the United Kingdom to which the interest is attributable.

Where interest has been received under deduction of United Kingdom income tax, Bondholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

Bondholders should note that the provisions relating to additional amounts referred to in "Conditions of the Bonds — Taxation" above would not apply if the Inland Revenue sought to assess directly the person entitled to the relevant interest to United Kingdom tax on income. However, exemption from or reduction of such United Kingdom tax liability might be available under an applicable double taxation treaty.

Disposal

The Bonds are "qualifying corporate bonds" with the result that on a disposal (including Redemption) of the Bonds neither chargeable gains nor allowable losses will arise for the purposes of taxation of capital gains.

A transfer of a Bond by a holder resident or ordinarily resident for tax purposes in the United Kingdom or who carries on a trade in the United Kingdom through a branch or agency to which the Bond is attributable may give rise to a charge to tax on income in respect of an amount representing interest on the Bond which has accrued since the preceding interest payment date.

SUBSCRIPTION AND SALE

Goldman Sachs International Limited, S.G. Warburg Securities Ltd. and Hoare Govett Corporate Finance Limited (the "Managers") have, pursuant to a subscription agreement dated 1st April, 1993 (the "Subscription Agreement"), jointly and severally agreed with the Bank, subject to the satisfaction of certain conditions, to subscribe for the Bonds at an issue price of 101.854 per cent. of the principal amount of the Bonds for a selling commission of 1.875 per cent., and a combined management and underwriting commission of 0.625 per cent., in each case calculated on the principal amount of the Bonds. The Bank will agree to reimburse the Managers for certain expenses incurred by them 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 Bonds in certain circumstances prior to payment to the Bank.

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

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

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

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

Each Manager has further represented and agreed that:—

(a) it has not offered or sold in the United Kingdom or elsewhere, by means of any document, any Bonds prior to 19th March, 1993 (other than in circumstances which do not constitute an offer to the public within the meaning of the Companies Act 1985);

(b) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Bonds in, from or otherwise involving, the United Kingdom; and

(c) it has only issued or passed on, and will only issue or pass on, in the United Kingdom any document received by it in connection with the issue of the Bonds, other than any document which consists of or any part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by listing rules under Part IV of the Financial Services Act 1986, to a person who is of a kind described in Article 9(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1988 or is a person to whom the document may otherwise lawfully be issued or passed on.

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

The Bonds will initially be represented by a single temporary global bond (the "Temporary Global Bond"), without interest coupons, which will be deposited with a common depositary on behalf of Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear"), and Cedel S.A. on or about 6th April, 1993. The Temporary Global Bond will be exchangeable for definitive Bonds, which will be in bearer form in the denominations of £1,000, £10,000 and £100,000 not earlier than 40 days after the later of the commencement of the offering and the issue date of the Bonds upon certification that the holders and beneficial owners thereof are not U.S. persons.

GENERAL INFORMATION

1. The listing of the Bonds on the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). Transactions will normally be effected for settlement in pounds sterling and for delivery on the fifth dealing day after the date of the transaction. It is expected that listing of the Bonds will be granted on 2nd April, 1993 subject only to the issue of the Temporary Global Bond. Pending such issue, however, dealings will be permitted by the London Stock Exchange in accordance with its rules.

2. The Bonds have been accepted for clearance through Euroclear and Cedel with a Common Code of 4309812. The International Securities Identification Number for the Bonds is XS0043098127.

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, 1992, 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 and its subsidiaries, taken as a whole.

5. The annual consolidated published accounts of the Bank and its subsidiaries for the three financial years ended 31st December, 1992 were audited by Price Waterhouse, Chartered Accountants, whose address is Southwark Towers, 32 London Bridge Street, London SE1 9SY and the Auditors' Reports contained therein were unqualified. Price Waterhouse have given and have not withdrawn their written consent to the issue of this document with the inclusion in it of their report in the form and context in which it is included.

6. No redemption of the Bonds for taxation reasons and no purchase and cancellation of the Bonds in accordance with the Conditions of the Bonds will be made by the Bank without such prior consent of the Bank of England as may for the time being be required therefor.

7. Copies of the latest published Annual Report and Accounts of the Bank will (so long as any of the Bonds remains outstanding) be available to the holders of the Bonds at each specified office of each Paying Agent for the time being.

8. The issue of the Bonds was authorised by a resolution of the Chairman's Committee of the Board of Directors of the Bank passed on 1st April, 1993.

9. The definitive Bonds and the Coupons will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States Income Tax Laws, including the limitations provided in Sections 165 (j) and 1287(a) of the Internal Revenue Code".

10. It is expected that publication of notices in accordance with the Conditions of the Bonds will normally be made in the *Financial Times*.

11. 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 audited consolidated Annual Report and Accounts of the Bank for the three years ended 31st December, 1990, 1991 and 1992;

(c) the Subscription Agreement referred to above; and

(d) drafts, subject to modification, of the Trust Deed referred to above (including, *inter alia*, the form of the Bonds and the form of the Temporary Global Bond) and the Paying Agency Agreement referred to above.

REGISTERED OFFICE OF THE BANK

71 Lombard Street
London EC3P 3BS

TRUSTEE FOR THE BONDHOLDERS

The Law Debenture Trust Corporation p.l.c.
Princes House
95 Gresham Street
London EC2V 7LY

LEGAL ADVISERS

To the Bank
Linklaters & Paines
Barrington House
59–67 Gresham Street
London EC2V 7JA

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

To the Trustee
Allen & Overy
9 Cheapside
London EC2V 6AD

LISTING SPONSOR

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Peterborough Court
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PRINCIPAL PAYING AGENT

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