



LLOYDS BANKING GROUP ANNOUNCES RESULTS OF STRATEGIC REVIEW OF ITS IRISH BUSINESS

Lloyds Banking Group plc (the Group) has announced the results of a strategic review of Bank of Scotland (Ireland) Limited (BoSI). The review concluded that there was little opportunity for scalable growth in the future and it is therefore now intended that the business currently carried on by BoSI will transfer, pursuant to a court process, to Bank of Scotland plc. This announcement follows the decision earlier this year to close the retail and intermediary business of BoSI in the Republic of Ireland. These proposals are subject to the necessary approvals.

The transfer of the BoSI business, including all of the strategic management and decision making activities relating to BoSI, will allow Bank of Scotland plc to utilise its extensive operational and management capability (including general and credit management, oversight and control) within the UK in relation to the Irish portfolio. This will aid the efficient rundown of the existing lending portfolio.

In order to retain local administrative capability, historic knowledge and continuity of customer relationships, it is proposed that Bank of Scotland plc would enter into an agreement with an independent service company which would perform various administrative functions relating to the BoSI banking business. Under this proposal the majority of BoSI employees would transfer via Transfer of Undertakings (Protection of Employment) Regulations (TUPE) to the service company.

The Group's other business operations in Ireland and Northern Ireland – including its Halifax branch network and customers service centre in Northern Ireland and its insurance operation in Shannon – are unaffected by this announcement.

Summary of the current proposals

- Subject to court and other approvals the BoSI business would transfer to Bank of Scotland plc in the UK on 31 December 2010.
- BoSI would cease to operate as a licensed bank on 31 December 2010.
- Bank of Scotland plc would utilise its extensive operational and management capability within the UK in relation to the Irish portfolio.
- An independent service company would provide administrative support in respect of the business being transferred.
- The majority of BoSI employees would transfer via TUPE to the independent service company.
- There would be no operational change for BoSI customers as they would continue to repay their loans until they reach maturity or they are paid down in full.
- The Group will work with depositors at BoSI to ensure a smooth transition of their banking arrangements.

Managing change for employees

BoSI is committed to working through these proposed changes with employees carefully and sensitively. All employees were briefed by management this morning. The union, Unite, has been briefed and BoSI has commenced a process of consultation.

These proposals will directly impact a number of roles. However, the Group expects to minimise this impact with redeployment.

Impact on customers

Under this proposal it is envisaged that lending customers of BoSI would see minimal change in how their existing accounts are managed. It is intended that customers' loan facilities would transfer to Bank of Scotland plc where customers would continue to repay their loans until they reach maturity or when they are paid down in full. The Group will work with depositors at BoSI to ensure a smooth transition of their banking arrangements. However, BoSI will cease to provide Working Capital and Wealth Management services by the end of the year.

Customers will be contacted in the coming weeks to advise them how these changes would affect them.

ENDS

For further information please contact:

Mark Elliott
Head of Media Relations
Email: mark.elliott2@lloydsbanking.com

+44 (0) 131 243 5572

Notes for Editors

Bank of Scotland (Ireland) Limited

Bank of Scotland (Ireland) Limited currently engages in Corporate and Commercial Banking, which includes Wealth Management, Corporate Deposit and Treasury services, to businesses and individuals in Ireland and Northern Ireland. Bank of Scotland (Ireland) Limited currently employs approximately 840 employees in its head office on St Stephen's Green, Dublin, and in regional offices in Belfast, Cork, Galway, Limerick and Waterford.

Bank of Scotland (Ireland) Limited is currently licensed by the Central Bank of Ireland and regulated by the Financial Regulator.

In February 2010, Bank of Scotland (Ireland) Limited announced plans to close its Retail and Intermediary banking operations, including the Halifax business. In June, Bank of Scotland (Ireland) Limited closed its 44-strong branch network and deactivated many of its retail and intermediary products.

Cross-Border Merger Directive

The proposed transfer of BoSI's business would be effected by way of a "*merger by absorption*" under the European Communities (Cross-Border Mergers) Regulations 2008 (the relevant Irish regulations) and a "*merger by absorption of a wholly-owned subsidiary*" under the Companies (Cross Border Mergers) Regulations 2007 (the relevant UK regulations). Pursuant to this cross-border merger, and subject to relevant court and Bank of Scotland plc shareholder approvals, Bank of Scotland plc would acquire the business of BoSI and BoSI will be dissolved on the effective date of the merger (expected to be 31 December 2010) without going into liquidation.

This statutory framework would provide the Group with greater certainty and clarity with regard to the transfer of the BOSI business when compared to a contractual transfer of a business.