LLOYDS BANKING GROUP

ANNUAL REVIEW 2009

CREATING THE UK'S BEST FINANCIAL SERVICES PROVIDER

GROUP PERFORMANCE SUMMARY

Statutory profit before tax of £1,042 million (2008: £760 million) includes an £11,173 million acquisition-related negative goodwill credit.

Combined businesses loss of £6,300 million for the year (2008: £6,713 million loss).

Resilient core businesses performance despite year-on-year margin pressure and weak economy. £35 billion of gross new mortgage lending, approximately 100,000 new commercial accounts.

Total income, net of insurance claims, increased by 12 per cent to £23,964 million due to the absence of £3.4 billion of mark-to-market losses on the Group's treasury asset portfolio and gains of £1.5 billion on capital transactions, which were partly offset by significant year-on-year margin pressures.

Banking net interest margin improved to 1.83 per cent in the second half of the year, compared to 1.72 per cent in the first half.

Integration ahead of schedule and cost synergies target increased to £2 billion run-rate by the end of 2011. Total cost synergies of £534 million have been realised during the year. Annualised run-rate savings totalled £766 million at the year end.

Total impairments significantly higher at £23,988 million for 2009. Second half impairments were 21 per cent lower than in the first half of 2009. We expect to see a similar pace of half-yearly improvement throughout 2010, with further substantial reductions in 2011 and beyond.

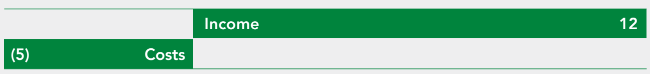
Robust capital position and strengthened funding profile. Core tier one capital at 8.1 per cent following the successful capital raising in December 2009. Wholesale funding maturing in more than one year increased from 44 per cent to 50 per cent.

Outlook: economy showing signs of stabilisation, with weak upturn expected in 2010. Significant improvement in the performance of our continuing businesses expected in 2010.

Medium-term goals reflect economic outlook and significant opportunity to leverage relationship-led model across enlarged business base. High single-digit income growth from our continuing businesses targeted within two years. Continued reduction in cost:income ratio.

STATUTORY PROFIT BEFORE TAX

INCOME AND COST GROWTH[1]



EARNINGS PER SHARE

PROFIT/LOSS BEFORE TAX[1]

CORE TIER 1 CAPITAL RATIO

COST:INCOME RATIO[1]

[1]Combined businesses basis.

RESULTS SUMMARY – COMBINED BUSINESSES[2]

	2009 £m	2008 £m
Net interest income	12,726	14,903
Other income	11,875	6,933
Total income	24,601	21,836
Insurance claims	(637)	(481)
Total income, net of insurance claims	23,964	21,355
Operating expenses	(11,609)	(12,236)
Trading surplus	12,355	9,119
Impairment	(23,988)	(14,880)
Share of results of joint ventures and associates	(767)	(952)
Loss before tax and fair value unwind	(12,400)	(6,713)
Fair value unwind	6,100	–
Loss before tax – combined businesses	(6,300)	(6,713)

RECONCILIATION OF COMBINED BUSINESSES LOSS BEFORE TAX TO STATUTORY PROFIT BEFORE TAX

	2009 £m	2008 £m
Loss before tax – combined businesses	(6,300)	(6,713)
Integration costs	(1,096)	–
Volatility	478	(2,349)
GAPS fee	(2,500)	–
Negative goodwill credit	11,173	–
Amortisation of purchased intangibles and goodwill impairment	(993)	(258)
Pre-acquisition results of HBOS plc	280	10,825
Insurance grossing adjustment	–	10
Results of BankWest and St. Andrews	–	90
Loss on disposal of businesses	–	(845)
Profit before tax – statutory	1,042	760

[2]COMBINED BUSINESSES PRESENTATION OF INFORMATION

In order to provide more meaningful and relevant comparatives, the results of the Group and divisions are presented on a 'combined businesses' basis. The key principles adopted in the preparation of the combined businesses basis of reporting are described below.

In order to reflect the impact of the acquisition, the following adjustments have been made:

- the 2008 results include the results of HBOS as if it had been acquired on 1 January 2008;
- the 2009 results assume HBOS had been owned throughout the year;
- the unwind of acquisition-related fair value adjustments is shown as one line in the 2009 combined businesses income statement and has not been back-dated to 2008; and
- the gain on acquisition of HBOS and amortisation of purchased intangible assets have been excluded.

In order to better present the underlying business performance the following items, not related to the acquisition, have also been excluded:

- the results of BankWest and St. Andrews which were sold in December 2008 and the related loss on disposal;
- insurance and policyholder interests volatility;
- integration costs;
- goodwill impairment; and
- Government Asset Protection Scheme (GAPS) fee.

View our Annual Report online… a full version of our Annual Report and Accounts and information relating to Lloyds Banking Group is available at **www.lloydsbankinggroup.com**

GROUP PROFILE

OUR GROUP

Lloyds Banking Group is a leading UK based financial services group providing a wide range of banking and financial services, primarily in the UK, to personal and corporate customers.

Lloyds Banking Group was formed in January 2009 following the acquisition of HBOS and our main business activities are retail, commercial and corporate banking, general insurance, and life, pensions and investment provision. The new Group also operates an international banking business with a global footprint in over 30 countries.

The Group is the UK's largest retail bank and has a large and diversified customer base. Services are offered through a number of well recognised brands including Lloyds TSB, Halifax, Bank of Scotland, Scottish Widows, Clerical Medical and Cheltenham & Gloucester, and via a unique distribution capability comprising the largest branch network in the UK and intermediary channels.

Lloyds Banking Group is quoted on both the London Stock Exchange and the New York Stock Exchange and is one of the largest companies within the FTSE 100.

OUR VISION AND STRATEGY

Our vision is to be recognised as the best financial services company in the UK by shareholders, customers and colleagues.

Our corporate strategy is based on:

Developing strong customer franchises that are based on deep customer relationships. All our businesses are focused on extending the reach and depth of our customer relationships, whilst enhancing product capabilities to build competitive advantage.

Building a high performance organisation. In delivering a high performance organisation the Group is focused on improving our cost efficiency and utilising our capital more effectively whilst maintaining a prudent approach to risk.

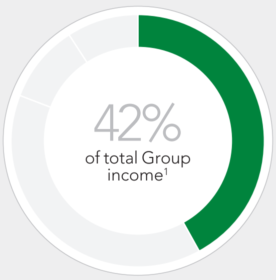
Managing our most valuable resource, our people. Executing strategy effectively will only be possible if we ensure deliverables are effectively aligned with our corporate strategy and we manage our most valuable resource, our people, well.

The effective integration of the two businesses will be a significant challenge over the next few years, but comprehensive plans are in place and excellent progress is already being made.

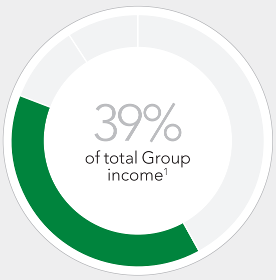
The Group believes that the successful execution of its strategy to focus on core markets, customer and cost leadership, capital efficiency and a prudent risk appetite will enable the Group to achieve its vision to be recognised as the best financial services company in the UK.

OUR DIVISIONS

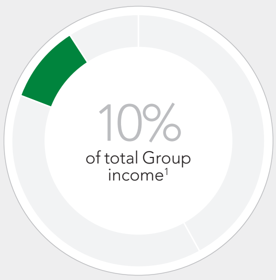
Since the acquisition of HBOS in January 2009 there have been four primary operating divisions: Retail, Wholesale, Wealth and International, and Insurance. The key product markets in which they participate and relative contribution to the Group's total income are presented below and a more detailed analysis of their strategy, business and performance is outlined over the next few pages.



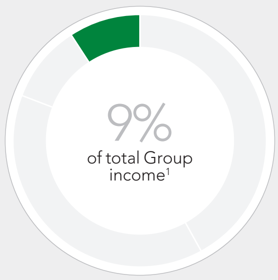
RETAIL
- Secured lending – mortgages
- Unsecured lending – credit cards, loans and overdrafts
- Internet and telephone banking
- Current accounts
- Savings accounts



WHOLESALE
- Corporate Markets
- Treasury and Trading
- Asset Finance



WEALTH AND INTERNATIONAL
- Wealth management
- Asset management
- International Banking



INSURANCE
- Life assurance, pensions and investments
- General Insurance

[1] Excludes central group items.

CHAIRMAN'S STATEMENT

Sir Winfried Bischoff

2009 HAS BEEN **A YEAR OF CHANGE BUT ALSO ONE OF ACHIEVEMENT** AS THE BUSINESS HAS POSITIONED ITSELF TO BENEFIT FROM WHAT WE EXPECT TO BE STRONG EARNINGS MOMENTUM OVER THE NEXT FEW YEARS

OUR YEAR IN BRIEF

CREATION OF LLOYDS BANKING GROUP

Lloyds Banking Group was created in January 2009 and is now the UK's largest retail bank.

GOVERNMENT ASSET PROTECTION SCHEME

In March, in what was clearly a very difficult external market, the Group announced its intention to participate in the Government Asset Protection Scheme. At the time the Scheme provided an opportunity to reduce the risk profile of the balance sheet and significantly strengthen the Group's capital position. A more economically favourable alternative was later pursued.

PLACING AND COMPENSATORY OPEN OFFER

A placing and compensatory open offer was successfully completed in June. The proceeds allowed the Group to repurchase the £4 billion of preference shares held by HM Treasury.

EU STATE AID

In November the Group's restructuring plan was agreed by the European Commission. The board approved the restructuring plan and is confident that this will not have a materially negative impact on the Group.

CAPITAL RAISING

In December we successfully undertook the largest ever capital raising in Europe comprising a £9 billion debt exchange and a £13.5 billion rights issue. This provided a market-based alternative to our intended participation in the Government Asset Protection Scheme and provided superior economic value to our shareholders.

RESILIENT CORE BUSINESS PERFORMANCE

Whilst the capital raising activities took much of the external attention during 2009, the Group has continued to deliver a resilient core business performance in a difficult economic environment. The integration of the two businesses is progressing ahead of schedule and the Group is now very well positioned for future earnings growth.

My first annual statement to you as chairman comes at the end of what has been a momentous and, at times, extraordinary year for Lloyds Banking Group. It has been a year of change but also one of achievement as the business has positioned itself to benefit from what we expect is going to be good earnings momentum over the next few years. The changing economic climate both in the UK and overseas over the past 12 months has presented the banking industry with many difficult challenges. However, as we move into 2010, we believe that we are well positioned to benefit from the encouraging signs of economic recovery, albeit we believe the UK economy will grow at below trend levels over the next few years.

Our commitment to our customers continues to be at the heart of our business and our relationship with them is critical to our success. Only by focusing on the needs of our customers and offering products and services that address those needs can we expect to be successful and deliver benefit to all our stakeholders.

ACHIEVEMENTS

I am encouraged by what Lloyds Banking Group as an organisation has achieved this year. In particular, in November we launched the largest ever capital raising comprising a £9 billion debt exchange and a £13.5 billion rights issue. This capital raising programme could not have been completed so successfully without the strong support of the vast majority of our shareholders, debt holders and of course importantly the UK Government through UK Financial Investments. We remain immensely grateful to them for that support. In providing this market-based alternative to our intended participation in the Government Asset Protection Scheme, we believe we provided superior economic value to our shareholders. Both the rights issue and the liability management exercise are an important step towards meeting our, and the Government's, objective for the Group to operate as a wholly privately owned self-supporting commercial enterprise. HM Treasury's stake in the Group of 43.4 per cent at the year end has reduced to 41.3 per cent following the completion of the capital raising programme in February 2010.

During the last few months of 2009 the Group, together with HM Treasury, concluded negotiations with the European Commission on a restructuring plan required as a result of the state aid received by the Group. We will dispose of a retail banking business with at least 600 branches, a 4.6 per cent market share of the personal current account market in the UK and approximately 19 per cent of the Group's mortgage assets, along with a number of behavioural remedies. The board is confident that the plan will not have a materially negative impact on the Group.

One of the behavioural commitments we entered into as part of the plan is not to make coupon payments or to exercise voluntary call options on certain securities from 31 January 2010 until 31 January 2012. This will also prevent us from paying dividends on our ordinary shares for the same duration. We fully understand the hardship that the lack of dividend and coupon payments has caused many of our shareholders and stakeholders, and we are working diligently to restore the ability to pay dividends and create shareholder value. The board intends to resume dividend payments on ordinary shares as soon as market conditions and the financial performance of the Group permit, subject to the expiry, in 2012, of the restrictions arising from the European Commission's remedies.

Whilst the capital raising activities took much of the external attention during 2009, the Group delivered a resilient core business performance and the integration of the two businesses is progressing ahead of schedule. Further detail on our performance is outlined in the group chief executive's review.

PEOPLE

The past year has been difficult for everyone and we are mindful of the uncertainty our colleagues have faced.

Since joining the Group in September, I have had the pleasure of meeting many of our colleagues and it is clear we have a strong team who have shown an impressive degree of professionalism, enthusiasm, commitment and sheer hard work in these challenging circumstances. Not only have they successfully undertaken the normal day job of serving our customers and realising the potential of the leading franchise in the UK, but they are engaged in implementing one of the most complex integration and corporate restructurings ever undertaken. They have acquitted themselves admirably and I thank them on behalf of all shareholders.

Importantly, our Group is led by a strong management team who I believe have the skills to ensure this organisation delivers value to our customers and shareholders. They have successfully addressed the key strategic and operational challenges facing the organisation and will continue to do so to the benefit of all our stakeholders.

THE BANKING INDUSTRY

It is of course a privilege to have the opportunity to serve our customers. Given our scale, with that privilege comes obligations. That is why we are playing an active part in the UK's economic recovery. I am pleased to note that we extended £70 billion of gross committed lending last year helping many households and businesses in the process. As the country's largest private sector savings institution, we also played a commensurate part in encouraging people to rediscover the savings habit, an essential component of the economic recovery. More broadly we were, and continue to be, involved in all the Government schemes to encourage lending and to assist people or businesses in financial difficulties. Also, our Lloyds Development Capital activities provide vital equity and debt capital to smaller and medium-sized businesses that often are the most vulnerable, but at the same time, most growth orientated parts of the economy.

To the extent that banking institutions, including Lloyds Banking Group, meet their obligations of service and intermediation and are responsible and pro-active conduits of channelling savings into productive enterprises and households, we hope that trust in our institutions may be re-established. It will not happen overnight, but happen it must and it is up to us to ensure by our actions that it does.

It follows that it is right that there is thoughtful and considered debate on the shape and structure of our industry and not simply knee-jerk reaction by the industry. Accordingly, I believe that the combined efforts of a few of the major global financial institutions, perhaps with two or three of the respected industry bodies, should pro-actively help develop proposals which are acceptable to and can be broadly supported by regulatory authorities and governments. Such proposals could set the industry on the path towards an internationally agreed understanding, removing the uncertainty and scepticism hanging over the industry both of which factors act as a brake on progress, to the detriment of the broader economies.

REMUNERATION

We are conscious of the current public debate about remuneration in the banking sector. We understand that this is a sensitive issue for many people at a time when their personal finances are challenged, and also in the light of the significant support given by taxpayers to our industry. We have thought carefully and responsibly about the design of our remuneration schemes and have been engaged in discussions with, and listened to, the views of a broad group of our shareholders on the remuneration of senior management. We are committed to maintaining the right balance between reward, risk management and performance and will continue to emphasise consultation with our shareholders with a view to achieving the right balance. Specifically, we are active participants in the debate about the appropriate remuneration structures for the banking sector. We believe deferral and clawback are the way forward and have implemented these two factors in our own remuneration structures. They have also become key features of remuneration design in the banking sector more generally and will be refined further, here in the UK and elsewhere.

As we announced on 22 February 2010, our group chief executive, Eric Daniels decided to waive the bonus which the board on the recommendation of the remuneration committee had awarded him. Eric took this decision in the interests of the Group since he felt the public debate about bonuses in the banking industry was in danger of obscuring the very real advances which had been achieved in terms of capital creation, quality of revenues, earnings prospects and write-offs, and integration benefits. We are grateful to Eric for his action. At the same time, I believe it is important for the future that we and our shareholders find a way whereby remuneration models will be allowed to be honoured without the recipient being put in a position to feel he should waive the awards arising from them.

We are, as you know, primarily a retail and commercial bank. This means that the total payout under our Group bonus schemes for 2009 will be a small percentage of overall revenues. All awards in the Group are subject, where appropriate, to deferral and clawback and agreed with UK Financial Investments and the Financial Services Authority (FSA).

DIRECTORS AND GOVERNANCE

Governance structures are increasingly important in the financial services industry. I am committed to ensuring that Lloyds Banking Group is at the forefront of these developments. To that end the board has given additional authority to our nomination committee and renamed it nomination and governance committee, to deal with all governance matters and make recommendations on these to the board.

Since February 2009, there have been eleven changes to the board, five new directors and six departures.

In February 2009 two new non-executive directors were appointed. Anthony Watson CBE brings with him over 40 years experience in the investment management industry. Timothy Ryan is a senior investment banker with a wealth of knowledge and understanding of the financial services industry and significant experience in the governmental sector. Lord Leitch was appointed deputy chairman in May 2009. In March 2010 we will be joined by Glen Moreno and David Roberts. Glen is chairman of Pearson plc and will be senior independent director. He has significant financial and banking industry and public company experience in the UK and abroad. David Roberts' deep understanding at the most senior level of commercial and retail banking in the UK, Europe and internationally is particularly valuable in that core business of our Group. As you know I joined on 15 September 2009. The full particulars and background of all our directors are set out on pages 20 and 21.

We have also seen a number of departures. Ewan Brown, Jan du Plessis, Philip Green, Sir David Manning and Carolyn McCall have all retired from the board. I would like to thank each of them for their contribution to the Group, in some cases for many years, and during a period of great change, and latterly turmoil, in the banking sector. We wish them well for the future. I wish also to pay tribute to my predecessor Sir Victor Blank as chairman of the Group during a tumultuous time. Sir Victor has had a long and distinguished career in financial and professional services and in commerce and industry and he retires with my thanks for his counsel and commitment since his appointment in 2006.

OUTLOOK

The acquisition of HBOS at the beginning of 2009 improved the strategic positioning of Lloyds Banking Group albeit at short-term cost. We now have leading positions in many of the financial markets in which we participate, a market leading distribution capability, well recognised brands and a large customer base. The scale of the organisation provides us with the opportunity to further invest in products and services, systems and training, offering unparalleled choice and service to our customers. This strategic positioning, along with our strong relationship focus and prudent risk appetite, provides the platform for future growth.

The successful execution of our strategy which is to focus on core markets, on customer and cost leadership, on capital efficiency and on a prudent risk and funding profile should enable the Group to deliver earnings growth and shareholder value whilst achieving its aim to be recognised as the best financial services company in the UK.

Sir Winfried Bischoff
Chairman
25 February 2010

GROUP CHIEF EXECUTIVE'S REVIEW

J Eric Daniels

2009 WAS A YEAR OF SIGNIFICANT ACHIEVEMENT IN SHAPING THE GROUP. **WE HAVE ESTABLISHED POSITIVE TRENDS IN MARGIN, COST AND IMPAIRMENTS** AND ARE WELL POSITIONED

ADDRESSING THE KEY ISSUES

CREATING THE PLATFORM FOR FUTURE GROWTH

We now have market-leading positions in many of the financial markets in which we participate, a market-leading distribution capability, well recognised brands and a large customer base. Over the last 12 months we have appointed the management team and implemented the management structures to ensure delivery of our strategy going forward.

INTEGRATION

Excellent progress is being made on the integration of the two businesses. Detailed integration plans have been developed and implemented and we exited the year with a cost synergy run-rate of £766 million. The significant progress being made has led us to raise the expected synergies to a £2 billion annualised run-rate by the end of 2011.

RISK MANAGEMENT

The strong risk management culture and more prudent risk appetite previously prevalent within Lloyds TSB has been applied to the enlarged Group. The new Group has already exited a number of non-core areas in which HBOS previously participated and the more prudent 'through the cycle' approach to risk is being applied to all new business.

EU STATE AID

The uncertainty of the state aid repercussions was addressed in November when our restructuring plan was agreed by the European Commission. The board approved the restructuring plan and is confident that this will not have a materially negative impact on the Group.

CAPITAL

The successful capital raising in December significantly strengthened the Group's capital ratios. The appropriateness of capital levels will continue to be a focus for the regulatory authorities but we will always seek to satisfy capital requirements in a way that protects and maximises value to shareholders.

SUMMARY

2009 was another challenging year for the financial services industry, both in the UK and around the world, reflecting a continuation of many of the issues that arose in 2008. During the year, the UK experienced its sharpest contraction in gross domestic product (GDP) for many decades, with a sharp fall in the value of commercial property alongside rising company failures and higher unemployment levels. Despite the tough market conditions, our core businesses have performed well.

Our significant achievements in 2009 will shape the future of the Lloyds Banking Group. We strengthened our franchise, attracting new customers and building deeper relationships. We have made excellent progress with the integration of HBOS, which we acquired in January 2009. The Group's capital is robust and our funding profile was strengthened considerably during the period.

The management team implemented a number of programmes that have resulted in positive trends in margins, costs and impairments. Given the momentum we have already developed in these areas, and with the stabilising economy, we believe the Group is well positioned to deliver a strong financial performance in the coming years.

We believe we have substantial additional growth opportunities from continuing to develop our business model and applying it across the broader franchise. As we realise the potential, it will enable us to further improve our growth trajectory in the coming years.

Although we are forecasting a slow, below trend, economic recovery, the Group is successfully addressing the near-term challenges and is well positioned to deliver value for our customers and shareholders. As a result, the financial performance of the Group's continuing businesses is expected to improve significantly in 2010 and beyond.

RESULTS OVERVIEW

On a statutory basis, the Group delivered a profit before tax of £1 billion for 2009. This result includes an £11.2 billion negative goodwill gain associated with the purchase of HBOS, given we acquired the business at half book value in anticipation of the likely losses resulting from their troubled asset portfolios.

On a combined businesses basis, the Group reported a £6.3 billion loss for the year, compared to a £6.7 billion loss in 2008. Our total income rose 12 per cent, whilst costs fell 5 per cent. The higher income and lower costs drove a substantial uplift in the trading surplus, which increased by 35 per cent, and our cost:income ratio improved to 48.4 per cent. As guided last August, there was a significant increase in impairments, which rose to £24 billion from £14.9 billion in 2008, principally due to the HBOS portfolios and their high level of exposure to commercial property.

RESILIENT CORE BUSINESS PERFORMANCE

Total income, net of insurance claims, was up 12 per cent on prior year, helped by lower write-downs on treasury assets and the profits from debt swaps. These gains more than offset the year-on-year decline in margins, which suffered from the impact of very low base rates and increased funding costs as we lengthened our maturity profile.

The continued development of our customer franchises has enabled us to offset the impact of the weak economy. In Retail, we opened nearly 2 million current accounts and nearly 5 million new savings accounts, which are important drivers for future profitable growth.

We delivered an equally good performance in the Wholesale division. In our Commercial business, we opened approximately 100,000 new accounts and achieved a 23 per cent share of start-up businesses, and in Corporate we saw a 49 per cent improvement in cross-sales income from Lloyds TSB customers. Wealth and International, our new division, made a very encouraging start in 2009 with a strong growth in the number of relationship clients and a 13 per cent growth in the number of UK private banking customers. In Insurance, despite the more difficult market conditions, we made good progress in key product areas such as Open Ended Investment Companies (OEICs) and life assurance protection.

With over 30 million customers we understand the financial hardships that many households and businesses are experiencing as a result of the recent economic decline in the UK. We are committed to helping our customers in these challenging times, which is reflective of our relationship-based approach. In Retail, we maintained strong levels of mortgage lending, with £35 billion of gross new lending, and helped thousands of our customers to buy new homes. In Wholesale we have provided approximately £10 billion of committed gross lending to small and medium-sized enterprises and approximately £25 billion to Corporate customers. We are acutely aware of the importance of supporting households and businesses as we exit the recession, and we will remain just as focused on this in 2010 as we were in 2009.

Our asset margin improved during 2009, although the upturn came earlier than we had expected. We are pricing assets to appropriately reflect risk and our funding costs, and the net interest margin recovered somewhat in the second half. The key drivers influencing our margin in 2010 will be asset pricing, a possible increase in the base rate and the cost of wholesale funding. We expect to be able to achieve a margin of 2 per cent this year, and to be on an upward trajectory after that.

We envisage minimal medium-term impact on our margin from the cost of wholesale funding, as we reduce our absolute wholesale funding requirement. Additionally, whilst we anticipate that a high proportion of our existing government and central bank funding will not have to be re-financed, we believe we can replace the residual portion at a cost that is similar to that which we are paying for these facilities at present.

COST SYNERGY TARGET INCREASED

Costs fell by 5 per cent in the year. We have made great strides on delivering the integration of Lloyds TSB and HBOS, one of the largest financial services mergers ever undertaken. We exited the year with a cost synergy run-rate of £766 million. The key programmes we have put in place are: rationalising our businesses to eliminate areas of duplication; leveraging our procurement skills and re-aligning our property requirements. Given we have now achieved half of our cost run-rate target, we have raised our guidance and are now targeting annual run-rate cost synergies of £2 billion by the end of 2011.

IMPAIRMENTS EXPECTED TO REDUCE SIGNIFICANTLY IN THE COMING YEARS

Impairments in the year were £24 billion, which is reflective of the problem HBOS portfolios, in particular, the over-concentration in commercial real estate. When we released our half-year results, we said that total Group impairments would peak in that half, and the full-year numbers confirm that guidance.

The Lloyds TSB conservative approach to risk management has been implemented across the Group, and is making a difference. All new lending is within the Group's risk appetite and the existing portfolios are being managed to Group standards. Looking forward, we expect to see a similar pace of half-yearly improvement throughout 2010, with further substantial reductions in 2011, and beyond. We expect reductions in all three customer divisions, although we remain cautious on the Irish portfolios, given the uncertain economic outlook.

ROBUST CAPITAL POSITION

Following our recent successful capital raise, the Group's year end core tier one ratio was 8.1 per cent and it rose by a further 30 basis points in February 2010. This reflects a number of successful actions during the year which included the £4 billion ordinary share placing and compensatory open offer in June, and the £22.5 billion equity raising and liability management exercises announced in November.

FUNDING AND LIQUIDITY STRENGTHENED

A number of steps were taken in the year to extend the Group's wholesale funding maturity and to further improve our liquidity profile. The Group's loan to deposit ratio improved and over 50 per cent of the wholesale funding had a maturity of over one year (2008: 44 per cent). We had also established an £88 billion liquidity buffer at the end of 2009. In addition, the Group continued to widen its diverse range of funding sources and had already achieved a significant amount of its expected term funding issuance for 2010 by the end of January.

DELIVERING SUSTAINABLE VALUE THROUGH THE CYCLE

The Group's aim is to be recognised as the UK's best financial services business and to deliver sustainable value through the cycle for our customers and shareholders. The principal element of the Group's strategy remains the focus on building deep, long-lasting customer relationships in all its franchises. We continue to support this with a focus on driving down costs and maintaining effective capital management disciplines, within a strong, conservative, risk management framework.

The Group aims to:

– Deliver high single-digit income growth from our continuing businesses within the next two years.
– Deliver annual reductions in our cost:income ratio of 2 per cent over the next few years.
– Run-off non-relationship assets to reduce the size of our balance sheet, providing the capacity to re-invest in growing our relationship businesses.

STATE AID

During 2009, the Group was required to work with HM Treasury to submit a restructuring plan to the European Commission in the context of a state aid review. During the last few months of 2009, the final terms of the restructuring plan were agreed by the European Commission College of Commissioners. The board approved the restructuring plan and is confident that it will not have a materially negative impact on the Group.

ECONOMIC OUTLOOK

The economic performance last year was worse than most expected, with a 4.8 per cent decline in GDP. Looking forward, we remain cautious but realistic. Our view is that the risk of a severe further downturn in 2010 is lower than a few months ago and we continue to forecast growth in GDP of 1.8 per cent for 2010, with a similar trend in 2011. Against that backdrop, we expect property prices will be broadly flat in 2010 and we remain on the cautious side of the range of market expectations. We anticipate that company failures will peak this year, but do not expect them to reach the heights seen in the last recession due to much lower corporate debt servicing costs. We believe unemployment will also peak in 2010, but at a lower level than seen in the last recession.

Our financial outlook and guidance are based on a range of economic scenarios. Having stressed our portfolios, we are confident of our capital position and the expectation of improving financial performance, albeit the growth would be slower in coming through if there were a second economic downturn, or a weaker than expected economic recovery.

BUSINESS OUTLOOK

2009 was a year of substantial achievement, in which we shaped the Group to enable us to deliver the growth potential of the enlarged franchise. We achieved this whilst maintaining good momentum in the core business, and as a result the Group is now in a strong position.

We have established positive trends in margin, costs and impairments. The management actions we have already taken in these areas, combined with the underlying business momentum, point towards significantly improved financial performance in the coming years.

We also believe there are significant opportunities for additional growth, potentially amounting to hundreds of millions of pounds in revenues. Over the last five years Lloyds TSB has delivered accelerating growth by focusing on acquiring, deepening and broadening customer relationships. We can see significant opportunity from sustaining this trend in the legacy Lloyds TSB franchise, and extending the model across the enlarged Group. As we realise this potential, we will add to our growth trajectory.

OUR PEOPLE

The last 12 months have been very challenging for all of our staff, across the Group. The external environment has been difficult, but our staff have continued to serve and support our customers superbly while delivering one of the largest banking mergers in history. I, along with all the members of the board, am very proud of their achievements this last year, and their performance underpins my confidence in our ability to deliver in the coming years.

J Eric Daniels
Group Chief Executive
25 February 2010

GROUP CHIEF EXECUTIVE'S Q&A

ISSUE: THE GOVERNMENT SHAREHOLDING

As a result of the recapitalisation of the banking sector and the subsequent capital raisings the Government now holds a significant stake in Lloyds Banking Group.

What are the implications of this holding, how does the Government intend to reduce its holding and how does the Government's share ownership impact the Group's business?

As at the date these accounts were approved the Government's shareholding in Lloyds Banking Group was approximately 41.3 per cent, which is managed by UK Financial Investments (UKFI) on behalf of HM Treasury.

We have a very good working relationship with UKFI who act like any value orientated shareholder with regard to the strategic development and financial performance of the Group, providing significant constructive challenge where they see fit. The Government has made it very clear that UK financial institutions in which it holds substantial stakes will continue to be separate economic units with independent powers of decision and will continue to have their own independent boards and management teams, determining their own strategies and commercial policies (including business plans and budgets).

Moreover, the relationship between the Government and the Group falls within the framework document between HM Treasury and UKFI published on 2 March 2009, which states that UKFI will manage investments in the UK financial institutions in which HM Treasury holds an interest on a commercial basis and will not intervene in day-to-day management decisions of the investee companies (including with respect to individual lending or remuneration decisions).

The timing of any share disposal will be at the discretion of UKFI. However, within the publication 'An Introduction: Who We Are, What We Do and the Framework Document Which Governs the Relationship Between UKFI and HM Treasury', it is stated that UKFI is to 'develop and execute an investment strategy for disposing of the investments in the banks in an orderly and active way through sale, redemption, buy-back or other means within the context of an overarching objective of protecting and creating value for the taxpayer as shareholder, paying due regard to the maintenance of financial stability and to acting in a way that promotes competition'.

Going forward the Group is focused on delivering strategy and subsequently value to all our shareholders. The Government holding does not impact this management focus and we remain committed to operating as a wholly privately owned, self supporting, dividend paying, commercial enterprise over time.

ISSUE: STATE AID

The European Commission required the Group to agree a restructuring plan as a result of the investment in the Group by HM Treasury.

What remedies were agreed with the European Commission and what are the implications of these remedies?

As a result of HM Treasury's investment in the Company in the context of the placing and open offer undertaken by the Company in November 2008 and the Group's participation in the Credit Guarantee Scheme, the Group was required to work with HM Treasury to submit a restructuring plan to the European Commission in the context of a state aid review. This plan was required to contain measures to limit any competition distortions resulting from the state aid received by the Group.

During the last few months of 2009, HM Treasury and the Group were involved in detailed negotiations with the European Commission in relation to the terms of the restructuring plan in order to reach a mutually acceptable solution. The final approval of the UK Government's state aid measures, including the terms of the final restructuring plan, was agreed by the College of Commissioners in November 2009. The plan consists of the following principal elements:

a the disposal of a retail banking business with at least 600 branches, a 4.6 per cent share of the personal current accounts market in the UK and approximately 19 per cent of the Group's mortgage assets. The business consists of: the TSB brand; the branches, savings accounts and branch based mortgages of Cheltenham & Gloucester; the branches and branch based customers of Lloyds TSB Scotland and a related banking licence; additional Lloyds TSB branches in England and Wales, with branch based customers; and, Intelligent Finance. These disposals need to be made within four years of the date of state aid approval;

b an asset reduction programme to achieve a £181 billion reduction in a specified pool of end 2008 assets by 31 December 2014; and

c behavioural commitments, including commitments; not to make certain acquisitions for approximately three to four years; and not to make discretionary payments of coupons or to exercise voluntary call options on hybrid securities from 31 January 2010 until 31 January 2012, which will also prevent the Group from paying dividends on its ordinary shares for the same duration.

The assets and liabilities, and associated income and expenses, of the business to be divested (referred to above) cannot be determined with precision until nearer the date of sale. However, the Company estimated that, as at 31 December 2008 and after aggregating the elements relating to Lloyds TSB and HBOS, the retail business to be divested comprised approximately £70 billion of customer lending and £30 billion of customer deposits. For the year ended 31 December 2008, the board estimated that the retail business to be divested generated income of approximately £1.4 billion and contributed approximately £500 million of profit before tax to the Group.

The board approved the restructuring plan and is confident that this will not have a materially negative impact on the Group.

ISSUE: FUTURE GROWTH

At the time of the acquisition of HBOS the Group indicated that the acquisition was a unique transaction that would position the Group for further growth.

Does the Group still believe that this is the case and how is the Group going to deliver earnings growth over the next few years?

The acquisition of HBOS at the beginning of 2009 has undoubtedly improved the strategic positioning of the Lloyds Banking Group and helped position the Group for future growth. We now have market leading positions in many of the financial markets in which we participate, a market leading distribution capability, well recognised brands and a large customer base. The scale of the organisation provides us with the opportunity to further invest in products and services, systems and training, offering unparalleled choice and service to our customers. This strategic positioning along with our strong relationship focus and prudent risk appetite provides the platform for future growth.

Our customer franchise and relationship focus will be key drivers of earnings growth going forward and we believe that the Group can deliver high single-digit income growth within the next few years as we meet the needs of our customers more effectively and extend the depth of our customer relationships.

Lloyds TSB has historically been strong in managing the cost base but the unique positioning of the Group also now provides a number of opportunities not available to other providers. The integration of the two businesses provides the opportunity for significant cost synergies. We have already outlined that we are looking to achieve £2 billion of cost synergies per annum by the end of 2011 and are already well on track for this, having delivered £766 million of synergies on an annualised basis in 2009. To date these synergies have primarily arisen from de-duplication of functions and property consolidation but going forward significant opportunities still exist from system integration and procurement. We believe that the Group can deliver a 200 basis points reduction in the cost:income ratio per annum over the next few years.

Impairment losses, particularly from the heritage HBOS business, have also significantly impacted profits over the past two years. We outlined at the half-year that we believed Group impairment losses had peaked in the first half of 2009 and this was borne out in the full year numbers which showed a 21 per cent reduction in impairment in the second half of the year. The Group believes impairment losses will continue to fall going forward and though given the current economic environment such levels are still inflated we believe impairments will return to more normalised levels over the next couple of years. The significant reduction in expected impairments will evidently benefit profits.

Overall the Group believes that the successful execution of its strategy focusing on core markets, customer and cost leadership, capital efficiency and a prudent risk appetite should enable the Group to deliver earnings growth and shareholder value whilst achieving its vision to be recognised as the best financial services company in the UK.

ISSUE: THE GROUP DIVIDEND

The European Commission state aid review prevents the Group from paying dividends on its ordinary shares.

When will you recommence the payment of dividends?

As a result of the UK Government's investment in the Group as part of the initial recapitalisation by the Company in November 2008, the rights issue announced in November 2009 and our participation in the Credit Guarantee Scheme, the Group has been deemed to have accepted state aid and subsequently the European Commission required us to undertake a restructuring plan (see the state aid question for further detail). This, amongst other things, includes a behavioural commitment not to make discretionary payments of coupons or to exercise voluntary call options on hybrid securities from 31 January 2010 until 31 January 2012. This also prevents the Group from paying dividends on its ordinary shares for the same duration.

We understand the distress the lack of dividend has caused many of our shareholders and are working hard to restore shareholder value. The capital raising in December 2009 was a significant step towards meeting our objective of operating as a wholly privately owned, self-supporting, dividend paying, commercial enterprise over time. The board intends to resume dividend payments on ordinary shares as soon as market conditions and the financial performance of the Group permit, subject to the expiry of the restrictions arising from the European Commission remedies.

DIVISIONAL RESULTS
RETAIL

OVERVIEW

Retail is the largest retail bank in the UK and the leading provider of current accounts, savings, personal loans, credit cards and mortgages. With its strong stable of brands including Lloyds TSB, Halifax, Bank of Scotland and Cheltenham & Gloucester, it serves over 30 million customers through one of the largest branch and fee free ATM networks in the UK.

Retail has approximately 22 million current account customers and provides social banking to over 4 million people through basic banking or social banking accounts. It is also the largest provider of personal loans in the UK, as well as being the UK's leading credit card issuer. Retail provides one in four residential mortgages making it the leading UK mortgage lender as well as being a major provider of home finance for the first time buyer. Retail is the largest private sector savings provider in the UK, with over 21 million savers. It is also a major general insurance and bancassurance distributor, selling a wide range of long-term savings, investment and general insurance products.

STRATEGY

Retail's strategic goal is to be recognised by its customers as the UK's best and most recommended bank. It will achieve this by building deep and enduring customer relationships which deliver real value to customers. Supporting this strategy are a strong stable of brands which provide unparalleled customer reach and choice; deep customer insight based on the strength of the customer franchise; and highly efficient and effective low cost processes as a result of business scale. Real customer understanding and lower cost processes will enable further investment in the products and services that Retail customers want. Last, but not least, investment in effective tools and processes will allow Retail colleagues to focus on meeting customer needs. This strategy will be delivered within clearly defined and prudent risk parameters.

OPERATING BRANDS

Lloyds TSB

HALIFAX
a little extra help

BANK OF SCOTLAND

C&G Cheltenham & Gloucester

BM BIRMINGHAM MIDSHIRES

INTELLIGENT FINANCE®





KEY HIGHLIGHTS

Profit before tax and fair value unwind amounted to £975 million, a decrease of £1,567 million on 2008 primarily due to lower income and higher levels of impairment, partly offset by a decrease in operating expenses.

Net interest income has decreased by 6 per cent to £7,970 million. The banking net interest margin decline of 18 basis points reflected higher wholesale funding costs and lower deposit margins in the low base rate environment, partly offset by higher asset pricing, the benefits from which improved the margin in the second half of the year.

Other operating income has decreased by 34 per cent to £1,804 million, primarily due to lower payment protection income and non-recurring one-off income in 2008.

Strong cost management delivering benefits. Operating expenses decreased by 8 per cent primarily due to tight cost control, cost savings achieved from the integration programme and lower Financial Services Compensation Scheme charges.

Impairment losses have increased by 14 per cent to £4,227 million, reflecting the effect of increased UK unemployment during 2009 on the unsecured charge, partly offset by a lower secured impairment charge as house prices stabilised.

Continued good new lending quality, reflecting continued strong credit criteria with the average loan-to-value ratio on new mortgage lending at 59 per cent, compared to 63 per cent for 2008.

Good progress was made in integrating the Lloyds TSB and HBOS retail businesses. New management structures have been implemented across Retail and continuing good progress has been made in streamlining, simplifying and integrating back office processes. Retail's integration synergies of £124 million for 2009 were ahead of expectations.

PERFORMANCE SUMMARY

	2009 £m	2008 £m	Change %
Net interest income	7,970	8,454	(6)
Other income	1,804	2,739	(34)
Total income	9,774	11,193	(13)
Operating expenses	(4,566)	(4,963)	8
Trading surplus	5,208	6,230	(16)
Impairment	(4,227)	(3,695)	(14)
Share of results of joint ventures and associates	(6)	7	
Profit before tax and fair value unwind	975	2,542	(62)
Fair value unwind	407	–	
Profit before tax	1,382	2,542	(46)
Banking net interest margin	1.97%	2.15%	
Cost:income ratio	46.7%	44.3%	
Impairment losses as a % of average advances	1.11%	0.97%	

DIVISIONAL RESULTS
WHOLESALE

OVERVIEW

The Wholesale division serves in excess of a million businesses, ranging from start-ups and small enterprises to global corporations, with a range of propositions fully segmented according to customer need. The division comprises Corporate Markets, Treasury and Trading, and Asset Finance.

Corporate Markets comprises Corporate, Commercial, Corporate Real Estate, Specialist Finance and Wholesale Markets. Corporate, Commercial and Corporate Real Estate provide relationship-based banking, risk management and advisory services to corporate and commercial customers principally in the UK. Specialist Finance includes the acquisition finance and private equity businesses. Wholesale Markets provides risk management solutions, specialised lending, capital markets advisory and multi-product financing solutions to its customers, whilst managing the Group's own portfolio of structured credit investments and treasury assets.

Treasury and Trading's role is to provide access to financial markets in order to meet the Group's balance sheet management requirements, and provides trading infrastructure to support execution of customer-driven risk management transactions, whilst operating within a well controlled and conservative risk appetite.

Asset Finance consists of a number of leasing and speciality lending businesses including Contract Hire, Specialist Assets and Consumer Finance.

OPERATING BRANDS

Lloyds TSB

BANK OF SCOTLAND

blackhorse

Lex Autolease

STRATEGY

Wholesale's strategic goal is to be recognised as the UK's leading, 'through-the-cycle', relationship-focused wholesale bank. The mission is to deepen and retain recurring, multi-product customer relationships building on deep insight into customer needs to provide a broad range of banking, risk management and capital market products.

KEY HIGHLIGHTS

Loss before tax and fair value unwind amounted to £11,600 million, an increase of £1,121 million on 2008 due to higher levels of impairment, partly offset by an increase in other operating income and a decrease in operating expenses.

Total income has increased by 63 per cent to £8,909 million, particularly reflecting the lower impact of market dislocation and continued strength in sales and trading activity.

Net interest income has decreased by 18 per cent to £4,710 million. The banking net interest margin decline of 33 basis points since prior year reflected higher wholesale funding costs partly offset by higher asset pricing. Margins fell in the first half of the year but have stabilised in the second half of 2009.

Strong cost management delivering benefits, excluding the cost of settlement of certain historic US dollar payments practices incurred in 2008, total operating expenses decreased by 7 per cent, reflecting reduced levels of operating lease business and cost savings achieved from the integration programme, partly offset by increased investment in Wholesale's customer focused business support functions.

Impairment losses amounted to £15,683 million, compared to £10,394 million in 2008, reflecting the continued weak economic climate and the application of Lloyds Banking Group prudent impairment assumptions, primarily in HBOS Corporate Real Estate and HBOS (UK and US) Corporate businesses. Total impairment losses are expected to have peaked in the first half of 2009, with a significant reduction in the impairment charge delivered in the second half of 2009 of 39 per cent.

Cross-selling from deepening relationships has increased by 26 per cent, reflecting increased product competencies and opportunities through a single sales force on the combined customer base.

PERFORMANCE SUMMARY

	2009 £m	2008 £m	Change %
Net interest income	**4,710**	5,752	(18)
Other income	**4,199**	(302)	
Total income	**8,909**	5,450	63
Operating expenses	**(4,106)**	(4,591)	11
Trading surplus	**4,803**	859	
Impairment	**(15,683)**	(10,394)	(51)
Share of results of joint ventures and associates	**(720)**	(944)	24
Loss before tax and fair value unwind	**(11,600)**	(10,479)	(11)
Fair value unwind	**6,897**	–	
Loss before tax	**(4,703)**	(10,479)	55
Loss before tax and fair value unwind by business unit			
Corporate Markets	**(11,736)**	(10,509)	(12)
Treasury and Trading	**595**	273	
Asset Finance	**(459)**	(243)	(89)
Loss before tax and fair value unwind	**(11,600)**	(10,479)	(11)
Banking net interest margin	**1.52%**	1.85%	
Cost:income ratio	**46.1%**	84.2%	
Impairment losses as a % of average advances	**5.92%**	3.32%	

DIVISIONAL RESULTS
WEALTH AND INTERNATIONAL

OVERVIEW

Wealth and International is a new division formed in 2009 to give increased focus and momentum to the private banking and asset management businesses and to closely co-ordinate the management of our international businesses. The division operates in more than 30 countries around the world.

The Wealth business comprises private banking, wealth and asset management businesses in the UK and overseas. The key operations are UK and International Private Banking, which operate under the Lloyds TSB and Bank of Scotland brands, the Channel Islands and Isle of Man offshore businesses, the expatriates business and the asset management business. The International business comprises most of the Group's other international banking businesses outside of the UK. These largely comprise corporate, commercial and asset finance businesses in Australia, Ireland and Continental Europe and retail businesses in Ireland, Germany and the Netherlands.

STRATEGY

Wealth represents a key growth opportunity for the Group and, through deepening the relationships with existing Group clients alongside targeted external customer acquisition, Wealth's goal is to be recognised as the trusted advisor to expatriate and private banking clients both in the UK and selected international markets. Wealth's initial focus in the UK will be to increase the penetration of its offering into the Group's existing customer base by referring wealthier customers to its private banking businesses where their wider financial needs can be more effectively met.

In the International businesses, the priority is to maximise value in the short to medium-term. International's immediate focus is close management of the lending portfolio, particularly in the Irish business, embedding the Group's risk management policies and procedures and repricing assets where appropriate.

OPERATING BRANDS

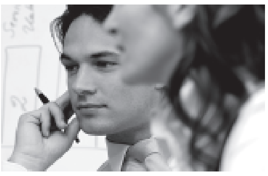
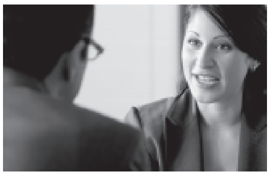
Private Banking Lloyds TSB

LOOK AT THINGS DIFFERENTLY
BANK OF SCOTLAND

International Private Banking Lloyds TSB

SCOTTISH WIDOWS INVESTMENT PARTNERSHIP

Lloyds TSB | International

KEY HIGHLIGHTS

Loss before tax and fair value unwind amounted to £3,298 million, compared to a profit of £277 million in 2008 due to higher levels of impairment.

Total income has decreased by 6 per cent to £2,345 million, reflecting lower net interest margins, and the impact of lower global stock markets particularly in the first half of the year, partly offset by favourable foreign exchange movements.

Net interest income has decreased by 7 per cent to £1,217 million, the banking net interest margin decline of 35 basis points reflects higher wholesale funding costs and lower deposit margins in the low base rate environment, partly offset by the impact of strong portfolio management in International, leading to an underlying gross asset reduction of 7 per cent, and higher asset pricing leading to higher margins.

Targeted cost management has delivered benefits, excluding the impact of foreign exchange movements and additional costs associated with transitional services in the Australian business, underlying costs were slightly lower than 2008 due to cost savings achieved from integration partly offset by investments into higher growth areas and business support functions.

Impairment losses amounted to £4,078 million, compared to £731 million in 2008, reflecting the significant deterioration in the credit risk environment in Ireland and Australia. The impairment charge for Wealth and International is expected to have peaked in 2009, although the economic conditions in Ireland continue to be monitored closely.

Good progress was made in integrating the Lloyds TSB and HBOS Wealth and International businesses. Wealth and International's integration synergies for 2009 were ahead of expectations.

PERFORMANCE SUMMARY

	2009 £m	2008 £m	Change %
Net interest income	**1,217**	1,314	(7)
Other income	**1,128**	1,191	(5)
Total income	**2,345**	2,505	(6)
Operating expenses	**(1,544)**	(1,476)	(5)
Trading surplus	**801**	1,029	(22)
Impairment	**(4,078)**	(731)	
Share of results of joint ventures and associates	**(21)**	(21)	
Profit (loss) before tax and fair value unwind	**(3,298)**	277	
Fair value unwind	**942**	–	
Profit (loss) before tax	**(2,356)**	277	
Profit (loss) before tax and fair value unwind by business unit			
Wealth	**198**	369	
International	**(3,496)**	(92)	
Profit (loss) before tax and fair value unwind	**(3,298)**	277	
Banking net interest margin	**1.71%**	2.06%	
Cost:income ratio	**65.8%**	58.9%	
Impairment losses as a % of average advances	**6.04%**	1.05%	

DIVISIONAL RESULTS
INSURANCE

OVERVIEW

The Insurance division offers life assurance, pensions, investment products and general insurance and operates through three main businesses: Life, Pensions and Investments UK, Life, Pensions and Investments Europe, and General Insurance.

The UK Life, Pensions and Investments business is the leading bancassurance provider in the UK and has one of the largest intermediary sales forces in the industry. The business includes Scottish Widows which, for a number of years, has been a subsidiary of the Lloyds TSB Group and the provider of long-term savings and investment products distributed through all channels of that group. Following the acquisition of HBOS, the Life, Pensions and Investments business also includes business written through the intermediary and bancassurance channels under the Clerical Medical and Halifax brands respectively. The European Life, Pensions and Investments business distributes products primarily in the German market under the Heidelberger Leben and Clerical Medical brands.

The combined General Insurance business is a leading distributor of home and payment protection insurance in the UK, with products sold through the branch network, direct channels and strategic corporate partners. The business is one of the largest underwriters of personal insurance business in the UK and also has significant brokerage operations for personal and commercial insurances. It operates primarily under the Lloyds TSB, Halifax and Bank of Scotland brands.

STRATEGY

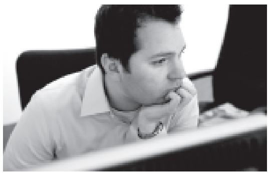
The Insurance division's strategic vision is to be recognised as the best insurance business by our customers, colleagues and shareholders.

The division has set itself four strategic objectives to achieve its vision of being the best Insurance business in the UK: complete the integration of its market leading businesses; continue to strengthen its leading brands and grow sales profitably in its targeted markets; enhance the capital and operational efficiency of existing and future business; and leverage Lloyds Banking Group strengths in distribution and asset management.

OPERATING BRANDS

Scottish Widows
Clerical Medical
Lloyds TSB
Halifax — a little extra help
Bank of Scotland





KEY HIGHLIGHTS

Profit before tax and fair value unwind amounted to £1,024 million, a decrease of £516 million on 2008, resulting from a reduction in income and an increase in claims, due to factors including demanding market conditions, partly offset by a decrease in operating expenses.

Total income net of insurance claims has decreased by £647 million to £2,020 million, due to the non-recurrence of £334 million of HBOS legacy one-off benefits, a £156 million increase in insurance claims and the impact of challenging economic conditions driving lower sales and returns, partially offset by significantly lower charges for policyholder lapses.

Life, Pensions and Investments UK sales of £12,973 million (PVNBP[1]) reduced by 26 per cent. In addition to the general contraction in the market, sales were significantly impacted as the intermediary sales forces were integrated and a number of HBOS legacy products with poor returns were withdrawn. These factors led to sales through the intermediary channel reducing by 35 per cent. Bancassurance sales, excluding payment protection, were resilient given the challenging market conditions with a reduction of 11 per cent from 2008. Sales of OEIC products delivered strong growth of 12 per cent.

General Insurance profits have decreased by 32 per cent to £367 million, due to a £156 million increase in claims, primarily unemployment related, lower investment returns and the market wide move to monthly premium payment protection business.

Strong cost management delivering benefits. Operating expenses have decreased by £155 million to £974 million mainly due to continued focus on cost management and delivering integration synergies. Underlying operating expenses reduced by 8 per cent allowing for certain reclassifications and non-recurring items.

[1]Present Value of New Business Premiums.

PERFORMANCE SUMMARY

	2009 £m	2008 £m	Change %
Net interest income	**(287)**	(345)	17
Other income	**2,944**	3,493	(16)
Total income	**2,657**	3,148	(16)
Insurance claims	**(637)**	(481)	(32)
Total income, net of insurance claims	**2,020**	2,667	(24)
Operating expenses	**(974)**	(1,129)	14
Share of results of joint ventures and associates	**(22)**	2	
Profit before tax and fair value unwind	**1,024**	1,540	(34)
Fair value unwind	**(49)**	–	
Profit before tax	**975**	1,540	(37)
Profit before tax and fair value unwind by business unit			
Life, pensions and investments:			
UK business	**617**	826	(25)
European business	**75**	149	(50)
General insurance	**367**	537	(32)
Other[2]	**(35)**	28	
Profit before tax and fair value unwind	**1,024**	1,540	(34)

[2]Includes certain divisional costs and income not allocated to business units, as well as the division's share of results of joint ventures and associates.

OUR PEOPLE

BUILDING LONG LASTING RELATIONSHIPS THROUGH PEOPLE

We are a business based on building deep and lasting relationships with our customers through the efforts of our people. Colleagues are our most valuable resource, as it is our colleagues who will build these relationships. Managing our colleagues effectively is therefore fundamental to the success of the business and achieving our vision of being the best financial services organisation.

Creating a great place to work is a core priority to enable the Group to be recognised, both within the financial services sector, but also more generally in the UK employment market, as the best organisation to work for.

In creating a great place to work, we believe we will attract and retain talented and high performing people. We offer excellent learning and development opportunities so that our colleagues can build fulfilling careers within the organisation.

We are building a high commitment, high performance organisation. We are clear about what we expect from our colleagues and what they can expect from us. Our values guide us in all our relationships whether they be with colleagues, customers or the wider community. In Lloyds Banking Group, our values are that we: take ownership; act wisely; make it simple; stretch ourselves; and succeed together.

INTEGRATION

2009 was significant in relation to people integration. The top 400 leaders were in place by month three and over 35,000 colleagues went through selection. Inevitably in bringing the two organisations together, there has been an opportunity to rationalise and this has led to a reduction in roles. Our aim has always been, where possible, to either redeploy people to other areas of the Group or reduce numbers through natural attrition.

COLLEAGUE ENGAGEMENT

We believe that to create a high commitment, high performance organisation, we need to have high levels of colleague engagement. Every quarter we run a comprehensive confidential colleague survey to gauge colleagues' views on key issues.

In 2009, we extended the scope of the colleague survey to include all UK and International colleagues across both Lloyds TSB and HBOS legacy organisations. We achieved a record response rate of 81 per cent in 2009 which is regarded as 'best in class'. The overall Engagement Index finished the year at 72 index points, 2 points above the target.

TALENT, RECRUITMENT AND RETENTION

One of the highest priorities for our leaders is recruiting, retaining and developing talented people. Developing our current colleagues and succession planning are vital in supporting our growth strategy. We are retaining people for an average tenure across our business of 12 years.

Following the launch of the new Lloyds Banking Group Graduate Programme for 2009, we recruited 141 people into our Graduate Leadership Programme, offered 42 internships and 10 industrial placements. We are consistently identified in The Times Top 100 organisations for graduate recruitment.

PERFORMANCE MANAGEMENT

The Group uses a balanced scorecard approach to measure, manage and reward colleague performance, taking into account the needs of customers, colleagues and shareholders. We measure individual performance against five factors: building the business; customer service; risk management; personal development and financial control.

LEARNING AND DEVELOPMENT

We are committed to ensuring that all colleagues have the technical, management and leadership skills that will enable Lloyds Banking Group to deliver the high performance needed to be recognised as the best financial services company.

To deliver great service and results we look to equip our colleagues with appropriate technical capabilities and critical business skills such as risk, relationship and financial management, to enable them to support our customers effectively.

We use a range of programmes linked to professional qualifications or external certification to develop our colleagues in line with recognised industry standards and provide confidence to customers and other stakeholders. This has gained us two external awards; 'Best use of synchronous e-learning' at the annual E-Learning Age Awards and the 2009 Security Training Initiative of the Year Award at the Security Excellence Awards.

A key focus remains the development and strengthening of management and leadership skills. In 2009 we have placed particular emphasis on performance management and leading during a period of rapid change.

During 2009 we have developed and launched our new group wide learning portal, 'Learning @ Lloyds Banking Group', providing all colleagues with access to a range of learning and development resources.

DIVERSITY AND INCLUSION

Diversity and Inclusion remains a top priority for Lloyds Banking Group. In a challenging economic climate we believe more than ever that our success depends on building strong and enduring relationships with diverse groups – colleagues, customers and suppliers.

In 2009 we have begun to build a leading edge diversity and inclusion strategy for Lloyds Banking Group using the best elements of the respective Lloyds TSB and HBOS diversity programmes. Our executive management team has one of the highest female representations in the FTSE 100, with three female directors. Elsewhere we have continued our focus on race, disability and sexual orientation.

In 2009 we sponsored Doing Seniority Differently, a groundbreaking piece of research by RADAR[1] into the career experiences of senior managers with a disability or long-term health condition.

We continue to make progress on sexual orientation. Lloyds TSB won first place in Stonewall's[2] 2009 Index of the best UK employers for lesbian, gay and bisexual people.

In 2009 Lloyds TSB was named by the charity 'Working Families' as one of the UK's Top 20 Employers for working parents, and we will continue to focus on ensuring all colleagues can achieve a good balance between their work and their lives outside.

REWARD

Ensuring that we offer a total reward package that is market competitive and supports our strategy to attract and retain talented people to the business, continues to be a key driver for our reward framework. Throughout 2009, we have been developing and consulting with our unions about proposals for harmonised terms and conditions of employment. Our harmonised reward package will support our 'One Bank' approach and reflect the importance of linking individual and Group performance to rewards within a strong risk framework.

There has been a renewed focus in the regulatory environment, specifically relating to the link between business risk and the reward arrangements for individuals. In compliance with these requirements we have reviewed our governance arrangements to ensure they are best practice and comply with the FSA and G20 positions. This has been a challenge for the industry as a whole and has required us to operate within a framework of interest from an increasing number of stakeholders, including organisations such as the FSA and UKFI.

[1] RADAR is the UK's leading pan-disability charity.
[2] Stonewall is the UK's leading sexual orientation campaigning organisation.

CORPORATE RESPONSIBILITY

SUPPORTING OUR BUSINESS STRATEGY

Our objective is to be recognised as the best financial services company in the UK by customers, colleagues and shareholders. Our corporate responsibility strategy is helping to deliver this objective. The Group makes a positive contribution to communities all over the UK, helping us achieve a competitive advantage and deliver business success.

EMBEDDING CORPORATE RESPONSIBILITY ACROSS THE GROUP

In 2009, we established a new corporate responsibility steering group. Chaired by Angie Risley, Group HR Director, and comprising senior executives from across the Group, it meets on a regular basis to review strategy, monitor progress and make sure we achieve our objectives.

We have adopted the former Lloyds TSB Group Code of Conduct across all of our operations. The Code is underpinned by corporate responsibility policies, setting minimum requirements for our business activities.

OUR STAKEHOLDERS

Our key stakeholders are those who are impacted significantly by our business or who might impact on it. This summary review covers our approach to customers, communities and climate change. Our commitment to shareholders is covered in the chairman's statement and the group chief executive's review and our approach to colleagues is covered separately, on page 14.

OUR CUSTOMERS

We are dedicated to building deep, lasting customer relationships that distinguish us as the best bank in the UK. We lent nearly £70 billion in new lending to homeowners and businesses in 2009. Lloyds TSB was voted the most trusted brand by Reader's Digest readers in 2009, for the ninth year running.

We will know we have achieved our vision to be the best bank when our customers recommend us more than any other bank. During 2009, we implemented consistent customer advocacy metrics across the new Group to measure customer recommendation of our products and services. We have put in place several initiatives to improve customer advocacy. These include targets for each of our main brands, and linking these targets to retail colleagues' performance.

PLAYING OUR PART IN THE UK'S ECONOMIC RECOVERY

We have over 30 million customers and play a very active part in the UK economy and its recovery.

Helping households

We are the UK's largest mortgage lender. In 2009, we wrote £34.7 billion of new mortgages. We are also the largest provider of finance to first time home buyers. In 2009, for example, through our Lloyds TSB brand, we launched the market leading 'Lend a Hand' mortgage, helping first time buyers onto the housing ladder.

We are also the biggest provider of finance to the social housing sector. By the end of 2009 we had committed £14 billion to social housing and had a market share of around 23 per cent.

We are taking part in twelve of the Government's financial initiatives aimed at: helping customers enter the housing market; helping small businesses start up; and helping customers in financial difficulty. The level of Lloyds Banking Group repossessions has remained well below the Council of Mortgage Lenders industry average.

Working with small and medium sized enterprises

We are committed to helping small to medium sized enterprises (SMEs) in the difficult current economic climate. We grew our market share in lending to SMEs in 2009 and opened more than 100,000 new accounts. We offer the facility for customers without adequate capital to borrow under the Government's Enterprise Finance Guarantee Scheme.

We launched a new 2012 SME Charter in 2009 to encourage enterprise, boost access to finance and provide clear and fairer pricing for customers, as well as help 300,000 new start-ups across the country by 2012.

RESPONSIBLE LENDING AND ADVICE

We have a responsible lending programme with internal management reporting and accountability. We wish to ensure customers only borrow what they can afford to repay. We only offer loans and credit cards after carefully assessing customers' financial circumstances, and regularly check that their borrowing remains suitable to them. We have dedicated customer support units to provide specialist help to customers who are worried about their financial situation. We proactively contact customers showing signs of distress and train customer-facing colleagues to provide advice and support. We also contributed more than £6 million in 2009 to the financial advice sector.

HELPING THE FINANCIALLY EXCLUDED

With over 4 million accounts, we are the UK's largest provider of social bank accounts. We also work with credit unions throughout the UK, managing their accounts and offering practical advice and support to help them improve and extend their services.

We have committed £4 million to a new 'further education' financial capability project to improve the range of web based resources available to financial capability bodies across the further education and skills sector in the UK.

In 2009, the Group's charitable Foundations received £29 million in grants to support their work in some of the most vulnerable communities in the UK. The Foundations currently fund a number of financial inclusion and financial capability projects.

OUR COMMUNITIES

Our main contribution to society is as a major employer and purchaser of goods and services. Our economic contribution is supported by our active investment in communities across the UK.

Lloyds Banking Group colleagues, customers and shareholders have raised over £2 million for our Charity of the Year, the British Heart Foundation, to fund 15 specialist nurses supporting over 8,400 heart patients.

We are harnessing our sponsorship of the London 2012 Olympics to support the next generation of sporting talent. Lloyds TSB National School Sport week is the biggest community sport programme in the UK, aiming to inspire young people to do more sport. In 2009 three million young people took part.

WORKING WITH OUR SUPPLIERS

Our suppliers are important to us. We want to ensure we treat them fairly and pay them on time. In 2009, we became signatories to the new Prompt Payment Code. We have procurement standards in place across the Group which take account of suppliers' policies and practices; including their social, ethical and environmental credentials.

CLIMATE CHANGE

We qualify as a participant in the Government's mandatory climate change scheme, the CRC Energy Efficiency Scheme, due to start in April 2010. We are developing an integrated carbon management strategy for the Group and continue to invest significant capital in carbon reduction projects.

We aim to reduce environmental impacts of our lending and project finance activities through effective risk management. In 2009 we implemented an integrated Groupwide Environmental Risk Policy to manage environmental risks. We are a signatory to the Equator Principles to manage risks in Project Finance.

SUMMARY

Our approach to our key stakeholders underpins our objective to be recognised as the best financial services company in the UK. We proactively manage our relationships with all of them.

We have a crucial role to play in the recovery of the UK economy. Our support for households and small businesses was further underlined in 2009 by our participation in Government schemes designed to help them.

SUMMARY CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2009

	2009 £ million	2008 £ million
Net interest income	9,026	7,718
Other income	36,271	(709)
Total income	45,297	7,009
Insurance claims	(22,019)	2,859
Total income, net of insurance claims	23,278	9,868
Operating expenses	(15,984)	(6,100)
Trading surplus	7,294	3,768
Impairment	(16,673)	(3,012)
Share of results of joint ventures and associates	(752)	4
Gain on acquisition	11,173	–
Profit before tax	1,042	760
Taxation	1,911	38
Profit for the year	2,953	798
Profit attributable to minority interests	126	26
Profit attributable to equity shareholders	2,827	772
Profit for the year	2,953	798
Basic earnings per share	7.5p	6.7p
Diluted earnings per share	7.5p	6.6p
Total dividend per share for the year[1]	–	11.4p
Total dividend for the year[1]	–	£648m
	£000	£000
Directors' emoluments	9,900	5,623

[1] The dividend for the year in 2008 represented the interim dividend for 2008 paid on 1 October 2008.

The Group's income statement includes substantial amounts of income and expenditure attributable to the policyholders of the Group's long-term assurance funds, which are consolidated in order to meet the requirements of accounting standards. These amounts are volatile and can cause significant variations in total income and insurance claims; however they have no overall effect upon profit attributable to equity shareholders over the long term.

SUMMARY CONSOLIDATED BALANCE SHEET
at 31 December 2009

	2009 £ million	2008 £ million
Assets		
Cash and balances at central banks	**38,994**	5,008
Derivatives, trading and other financial assets at fair value through profit and loss	**199,939**	73,948
Loans and advances to customers	**626,969**	240,344
Loans and advances to banks	**35,361**	38,733
Debt securities	**32,652**	4,416
	694,982	283,493
Available-for-sale financial assets	**46,602**	55,707
Investment properties	**4,757**	2,631
Intangible assets, including goodwill, and the value of in-force business	**12,788**	4,346
Tangible fixed assets	**9,224**	2,965
Other assets	**19,969**	7, 935
Total assets	**1,027,255**	436,033
Liabilities		
Deposits from banks	**82,452**	66,514
Customer accounts	**406,741**	170,938
Derivatives, trading and other financial liabilities at fair value through profit or loss	**68,756**	33,646
Debt securities in issue	**233,502**	75,710
Insurance liabilities	**77,261**	34,062
Liabilities to customers under non-participating investment contracts	**46,348**	14,243
Other liabilities	**32,581**	12,194
Retirement benefit obligations	**780**	1,771
Subordinated liabilities	**34,727**	17,256
Total liabilities	**983,148**	426,334
Shareholders' equity	**43,278**	9,393
Minority interests	**829**	306
Total equity	**44,107**	9,699
Total equity and liabilities	**1,027,255**	436,033

The summary financial statement, comprising the summary consolidated income statement on page 16, the summary consolidated balance sheet on page 17 and the directors' remuneration commentary on page 19 was approved by the directors on 25 February 2010.

Sir Winfried Bischoff
Chairman

J Eric Daniels
Group Chief Executive

Tim J W Tookey
Group Finance Director

AUDITORS' REPORT ON FULL ACCOUNTS

The auditors' reports on the full accounts for the year ended 31 December 2009 were unqualified and did not include a statement under sections 498(2) (accounting records or returns inadequate or accounts not agreeing with records and returns) or 498(3) (failure to obtain necessary information and explanations) of the UK Companies Act 2006.

INDEPENDENT AUDITORS' STATEMENT TO THE MEMBERS OF LLOYDS BANKING GROUP PLC

We have examined the summary financial statement, which comprises the summary consolidated income statement on page 16, the summary consolidated balance sheet on page 17 and the directors' remuneration commentary on page 19.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the annual review in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the annual review with the annual financial statements, directors' report, and directors' remuneration report, and its compliance with the relevant requirements of section 428 of the UK Companies Act 2006 and the regulations made thereunder.

We also read the other information contained in the annual review and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement and the corporate governance statement and the other items within the annual review.

This statement, including the opinion, has been prepared for and only for the Company's members as a body in accordance with section 428 of the UK Companies Act 2006 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

BASIS OF OPINION

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our reports on the Company's full annual financial statements describe the basis of our audit opinions on those financial statements, the directors' report and the directors' remuneration report.

OPINION

In our opinion the summary financial statement is consistent with the full annual financial statements, directors' report and directors' remuneration report of Lloyds Banking Group plc for the year ended 31 December 2009 and complies with the applicable requirements of section 428 of the UK Companies Act 2006, and the regulations made thereunder.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Edinburgh
25 February 2010

SUMMARY DIRECTORS' REPORT

The Company is a holding company and its subsidiaries provide a wide range of banking and financial services through branches and offices in the UK and overseas.

A review of the business and an indication of future developments are given on the inside front cover and on pages 10 to 13.

Biographical details of directors are shown on pages 20 and 21.

Six directors stood down from the board during the year, as follows: Mr J P du Plessis (17 April), Mr Ewan Brown (5 June), Sir Victor Blank (15 September), Mr P N Green (23 October), Sir David Manning (2 November) and Ms C J McCall (31 December). Mr T T Ryan, Mr Anthony Watson and Sir Winfried Bischoff joined the board on 1 March 2009, 2 April 2009 and 15 September 2009, respectively, and Mr G R Moreno and Mr D L Roberts have been appointed directors from 1 March 2010.

Particulars of the directors' interests in shares in the Company and detailed information about share capital and change of control are shown in the full report and accounts.

GOVERNANCE

DIRECTORS' REMUNERATION

Full details of the Group's remuneration policy for directors as well as details of their remuneration in 2009 appear in the directors' remuneration report in the full report and accounts. This may be seen in the 'Investors' section of the Group's website at www.lloydsbankinggroup.com.

This last year has been one of the most challenging for remuneration in banking, following on from 2008 which was a year of unprecedented change and turmoil across the sector. At the same time, the Group has been faced with the immense task of integrating the Lloyds TSB and HBOS businesses – one of the biggest integrations ever undertaken in the sector and where considerable progress has been made during the first year of the three year programme. In making decisions on remuneration, the Group has continually had to balance the current operating environment and the fact that the Group is in a loss making position with the need to motivate the executives to run the business in a way to maximise the returns for the shareholder, including the taxpayer.

The Group has sought to strike this balance by maintaining the prudent approach to reward overall that it has adopted in previous years, whilst ensuring that the right incentives are in place to reward future performance. At the same time the Group has during 2009, built on the work of 2008 to ensure that the Group's remuneration policy and arrangements comply with the FSA Code of Practice on Remuneration.

For 2009 there were no salary increases for executives, executives waived any entitlement to annual incentives in respect of 2008 performance year and the Long Term Incentive Plan (LTIP) opportunity was reduced from 2008 levels by up to 175 per cent of salary. Awards under the annual incentive plan for 2009 have been made based on a rigorous assessment of performance against targets. In reaching any decisions, the Group has sought to take into account the Group's performance against the main financial targets where the outcomes were better than expected as well as the delivery of a number of milestones that are a key part of the Group's medium term recovery plan. It is important to note that 100 per cent of the award will be deferred into shares and released in 2012 unless subject to clawback at that time.

Extensive work has been undertaken in 2009 and will continue in 2010 to ensure compliance with the FSA Code of Practice on Remuneration. The terms of reference of the remuneration committee were revised during 2009 to extend the remit of the committee to include the overall remuneration policy and philosophy for all colleagues, whilst retaining direct responsibility for the remuneration for certain colleagues. Divisional remuneration committees were introduced in 2009 to provide a robust framework for decisions on remuneration through the Group.

In 2010, the remuneration package will continue to have the same main elements as for 2009:

- Base salary
- Annual incentive
- Long-term incentive plan

In addition, executive directors participate in pension arrangements and receive benefits such as life assurance and medical insurance.

The following key decisions have been made for 2009/2010 remuneration:

- 2010 base salaries for executive directors will continue to be frozen at 2008 levels
- At his own request, the group chief executive will not receive any awards under the annual incentive plan for 2009
- Awards under the annual incentive plan for 2009 for executive directors of between 150 per cent and 185 per cent of salary
- All awards under the annual incentive plan for 2009 are deferred into shares and subject to clawback, with any awards being released in 2012
- LTIP award below historic award levels at a maximum of 275 per cent of salary subject to stretching performance conditions based on EPS, economic profit and the achievement of stretching share price targets.

The package is designed to encourage a long-term and risk-based focus:

- Salary is a significant proportion of the total package, avoiding excessive leverage
- All incentives will be paid on a deferred basis at the end of three years
- Deferred annual incentive is subject to clawback; ie it is not released when information subsequently comes to light about the performance on which the incentive award is based, which had it been know prior to the determination of the awards it would have affected the original award decision.
- A combination of financial and non-financial measures encourages a long-term focus
- Economic profit, which is a risk-adjusted profit measure, is a core financial target

Executive directors also remain expected to build a shareholding in the Group equivalent to 1.5 times (2 times for the group chief executive) basic salary . They are expected to retain 100 per cent of the net-of-tax proceeds of the 2009 LTIP until they reach that target. In addition they are required to retain any shares vesting from the share price performance element of the 2010 LTIP for a further two years post vesting.

The Group believes that these arrangements are well aligned with the FSA's Code of Practice on Remuneration.

The fees of the independent non-executive directors are agreed within a total amount agreed by the shareholders. They may also receive fees, agreed by the board, for membership of board committees. The fees are designed to recognise the responsibilities of a non-executive director's role and to attract individuals with relevant skills, knowledge and experience. The fees are neither performance related nor pensionable and are comparable with those paid by other companies. The fees remain unchanged from 1 January 2008.

The chairman's salary was reviewed at the time of his appointment. The chairman was appointed on a salary of £700,000 per annum.

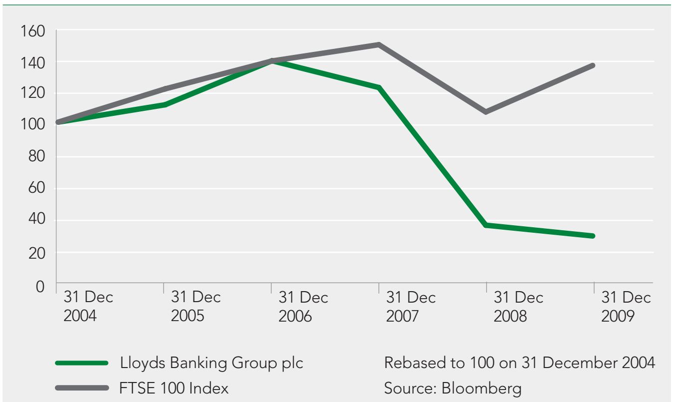
SUMMARY OF EMOLUMENTS PAID TO DIRECTORS

	2009 £000	2008 £000
Aggregate emoluments paid to directors	**9,900**	5,623
Aggregate gains made by directors on exercise of share options	**–**	2
Aggregate value of assets receivable under long-term incentive schemes	**–**	–
Aggregate company contributions in respect of directors to defined contribution pension schemes	**428**	207
Number of directors with retirement benefits accruing under:		
– defined contribution schemes	**3**	3
– defined benefit schemes	**2**	2

PERFORMANCE GRAPH

The graph below illustrates the performance of the Group measured by TSR against a 'broad equity market index' over the past five years. The Group has been a constituent of the FTSE 100 index throughout this five year period.

TOTAL SHAREHOLDER RETURN – FTSE 100 INDEX



THE BOARD

NON-EXECUTIVE DIRECTORS

Sir Winfried Bischoff
Chairman

Chairman of the nomination and governance committee and a member of the remuneration and risk oversight committees

Joined the board and was appointed chairman on 15 September 2009. Previously chairman of Citigroup Inc. from December 2007 to February 2009. He joined J Henry Schroder & Co in January 1966 and became managing director of Schroders Asia in 1971, group chief executive of Schroders Plc in 1984 and chairman in 1995. Following the acquisition of Schroders' investment banking business by Citigroup in 2000 became chairman of Citigroup Europe before being appointed acting chief executive officer of Citigroup in 2007 and subsequently as chairman in the same year. A non-executive director of Eli Lilly and Company, and The McGraw Hill Companies Inc. in the United States, and chairman of the UK Career Academy Foundation. A member of the Akbank International advisory board. Aged 68.

Lord Leitch
Deputy Chairman
Senior Independent Director

Member of the audit, nomination and governance, and remuneration committees and chairman of the risk oversight committee

Joined the board in 2005 and was appointed deputy chairman in May 2009. Appointed chairman of Scottish Widows in 2007. Held a number of senior and general management appointments in Allied Dunbar, Eagle Star and Threadneedle Asset Management before the merger of Zurich Group and British American Tobacco's financial services businesses in 1998. Subsequently served as chairman and chief executive officer of Zurich Financial Services United Kingdom, Ireland, Southern Africa and Asia Pacific, until his retirement in 2004. Chairman of the Government's Review of Skills (published in December 2006) and deputy chairman of the Commonwealth Education Fund. Chairman of BUPA and Intrinsic Financial Services and a non-executive director of Paternoster. Former chairman of the National Employment Panel. Aged 62.

Dr Wolfgang C G Berndt
Independent Director

Member of the nomination and governance committee and chairman of the remuneration committee

Joined the board in 2003. Joined Procter and Gamble in 1967 and held a number of senior and general management appointments in Europe, South America and North America, before retiring in 2001. A non-executive director of Cadbury, GfK AG and MIBA AG. Aged 67.

Sir Julian Horn-Smith
Independent Director

Member of the nomination and governance, remuneration and risk oversight committees

Joined the board in 2005. Held a number of senior and general management appointments in Vodafone from 1984 to 2006 including a directorship of that company from 1996, group chief operating officer from 2001 and deputy chief executive officer from 2005. Previously held positions in Philips from 1978 to 1982 and Mars GB from 1982 to 1984. A non-executive director of De La Rue, Digicel Group and Emobile (Japan), a director of Sky Malta, a member of the Altimo International advisory board and a senior advisor to UBS and CVC Capital Partners in relation to the global telecommunications sector. Pro vice-chancellor of University of Bath. A former chairman of The Sage Group. Aged 61.

T Timothy Ryan, Jr
Independent Director

Member of the audit and risk oversight committees

Joined the board on 1 March 2009. President and chief executive of the Securities Industry and Financial Markets Association. Held a number of senior appointments in JP Morgan Chase from 1993 to 2008 including vice chairman, financial institutions and governments, from 2005. A director of the US-Japan Foundation, Great-West Life Annuity Insurance Co. and Putnam Investments and a member of the Global Markets Advisory Committee for the National Intelligence Council. A former director in the Office of Thrift Supervision, US Department of the Treasury and Koram Bank and the International Foundation of Election Systems. Aged 64.

Martin A Scicluna
Independent Director

Chairman of the audit committee and a member of the risk oversight committee

Joined the board in September 2008. Chairman of Deloitte UK from 1995 to 2007 and a member of the board from 1991 to 2007. Joined the firm in 1973 and was a partner from 1982 until he retired in 2008. A member of the board of directors of Deloitte Touche Tohmatsu from 1999 to 2007. Chairman of Great Portland Estates. A member of the council of Leeds University and a governor of Berkhamsted School. Aged 59.

Anthony Watson CBE
Independent Director

Member of the audit and risk oversight committees

Joined the board on 2 April 2009. Previously chief executive of Hermes Pensions Management. Held a number of senior appointments in AMP Asset Management from 1991 to 1998. A non-executive director of Hammerson, Vodafone and Witan Investment Trust, a member of the Norges Bank Investment Management advisory board and chairman of Marks and Spencer Pension Trust, Asian Infrastructure Fund and Lincoln's Inn investment committee. A former chairman of MEPC and of the Strategic Investment Board (Northern Ireland) and a former member of the Financial Reporting Council. Aged 64.

APPOINTMENTS FROM 1 MARCH 2010

Glen R Moreno
Senior Independent Director

Chairman of the risk oversight committee and a member of the remuneration committee

Chairman of Pearson, the media group, since October 2005. He is a director of Fidelity International, one of the world's largest fund management companies, and chairman of its audit committee. From 1987 to 1991 he was chief executive of Fidelity International. Until mid 2009, he was a non-executive director and senior independent director of Man Group, the FTSE 100 financial services group, and acting chairman of UKFI. He was a group executive at Citigroup; from 1969 to 1987 he held a number of senior positions at the bank in Europe and Asia. Aged 66.

David L Roberts
Independent Director

Member of the audit and remuneration committees

Executive director, member of the group executive committee and chief executive, International Retail and Commercial Banking at Barclays until December 2006. He joined Barclays in 1983 and held various senior management positions, including chief executive, Personal Financial Services and chief executive, Business Banking. He was also a non-executive director of BAA until June 2006 and a non-executive director of Absa Group Limited, one of South Africa's largest financial services groups, until October 2006. From 2007 to 2009 he was also the chairman and chief executive of BAWAG P.S.K. AG, the second largest retail bank in Austria. He is currently a member of the strategy board for Henley Business School, non-executive chairman of The Mind Gym and a non-executive director of Campion Willcocks. Aged 47.

EXECUTIVE DIRECTORS

J Eric Daniels
Group Chief Executive

Joined the board in 2001 as group executive director, UK retail banking before his appointment as group chief executive in June 2003. Served with Citibank from 1975 and held a number of senior and general management appointments in the USA, South America and Europe before becoming chief operating officer of Citibank Consumer Bank in 1998. Following the Citibank/Travelers merger in 1998, he was chairman and chief executive officer of Travelers Life and Annuity until 2000. Chairman and chief executive officer of Zona Financiera from 2000 to 2001. A non-executive director of BT Group. Aged 58.

Archie G Kane
Group Executive Director Insurance (Board Representative for Scotland)

Joined the group in 1986 and held a number of senior and general management appointments before being appointed to the board in 2000, as group executive director, IT and operations. Appointed group executive director, insurance and investments in October 2003. After some 10 years in the accountancy profession, joined General Telephone & Electronics Corporation in 1980, serving as finance director in the UK from 1983 to 1985. Chairman of the Association of British Insurers and a member of The Takeover Panel. Aged 57.

G Truett Tate
Group Executive Director Wholesale

Joined the group in 2003 as managing director, corporate banking before being appointed to the board in 2004. Served with Citigroup from 1972 to 1999, where he held a number of senior and general management appointments in the USA, South America, Asia and Europe. He was president and chief executive officer of eCharge Corporation from 1999 to 2001 and co-founder and vice chairman of the board of Chase Cost Management Inc from 1996 to 2003. A non-executive director of BritishAmerican Business Inc., Chairman of Arora Holdings and a director of Business in the Community and a director and trustee of In Kind Direct. Aged 59.

Tim J W Tookey
Group Finance Director

Joined the group in 2006 as deputy group finance director, before being appointed acting group finance director in April 2008. Appointed to the board in October 2008 as group finance director. Previously finance director for the UK and Europe at Prudential from 2002 to 2006 and group finance director of Heath Lambert Group from 1996 to 2002. Prior to that, he spent 11 years at KPMG. Aged 47.

Helen A Weir CBE
Group Executive Director Retail

Joined the board in 2004 as group finance director. Appointed as group executive director, UK retail banking in April 2008. Group finance director of Kingfisher from 2000 to 2004. Previously finance director of B&Q, having joined that company in 1995 from McKinsey & Co where she was a senior manager. Began her career at Unilever. Member of the Financial Services Practitioner Panel and the Said Business School Advisory Board. Chair of the British Bankers' Association Retail Committee. A former member of the Accounting Standards Board. Fellow of the Chartered Institute of Management Accountants. Aged 47.

Harry F Baines
Company Secretary

SHAREHOLDER INFORMATION

ANNUAL REPORT AND ACCOUNTS

This annual review, including the summary financial statements contained within, does not provide sufficient information to allow as full an understanding of the results and state of affairs of Lloyds Banking Group as would be provided by the full report and accounts. Shareholders who would like more detailed information may obtain a copy of the full report and accounts, and also elect to receive all future report and accounts, by contacting our registrars, Equiniti Limited on 0871 384 2990. The report and accounts is also available on our website, www.lloydsbankinggroup.com

SHARE PRICE INFORMATION

In addition to listings in the financial pages of the press, the latest price of Lloyds Banking Group shares on the London Stock Exchange can be obtained by telephoning 09058 890 190.

Visit www.londonstockexchange.com for details.

SHARE DEALING FACILITIES

A full range of dealing services is available as follows:

– Internet dealing. Log on to www.lloydstsbsharedealing.com
– Telephone dealing. Call 0845 606 0560
– Internet and telephone dealing services are available between 8.00 am and 4.30 pm, Monday to Friday.

Details of any dealing costs are available when you log on to the share dealing website or when you call the above number.

INDIVIDUAL SAVINGS ACCOUNTS (ISAs)

The Company provides a facility for investing in Lloyds Banking Group shares through an ISA. For details contact: Retail Investor Operations, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Telephone 0871 384 2244.

SHAREHOLDER ENQUIRIES

The Company's share register and the Lloyds Banking Group Shareholder Account (formerly the HBOS Shareholder Account) are maintained by Equiniti Limited. Contact them if you have enquiries about your Lloyds Banking Group shareholding, including those concerning the following matters:

– Change of name or address
– Loss of share certificate
– Dividend information, including loss of dividend warrant or tax voucher.

Equiniti operates a web based enquiry and portfolio management service for you to receive shareholder communications electronically. In addition, you can change your address or bank details and register proxy appointments and voting instructions on your shareholding online. Visit www.shareview.co.uk for details.

CORPORATE RESPONSIBILITY

A copy of the Group's corporate responsibility report may be obtained by writing to Corporate Responsibility, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN. This information together with the Group's code of business conduct is also available on the Group's website www.lloydsbankinggroup.com

AMERICAN DEPOSITARY RECEIPTS (ADRs)

Lloyds Banking Group shares are traded in the USA through an NYSE-listed sponsored ADR facility, with The Bank of New York Mellon as the depositary. The ADRs are traded on the New York Stock Exchange under the symbol LYG. The CUSIP number is 539439109 and the ratio of ADRs to ordinary shares is 1:4. For details contact:
The Bank of New York Mellon Shareowner Services, PO Box 358516, Pittsburgh, Pennsylvania 15252-8516. Telephone: 877-353-1154 (US toll free), international callers: +1 201-680-6825. Alternatively visit www.bnymellon.com or email shrrelations@bnymellon.com

ANNUAL GENERAL MEETING

The annual general meeting will be held at 11.00 am on Thursday 6 May 2010 at the Edinburgh International Conference Centre.

FORWARD LOOKING STATEMENTS

This document contains forward looking statements with respect to the business, strategy and plans of Lloyds Banking Group, its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about the Group's or the Group's management's beliefs and expectations, are forward looking statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. The Group's actual future results may differ materially from the results expressed or implied in these forward looking statements as a result of a variety of factors, including, without limitation, UK domestic and global economic and business conditions, the ability to derive cost savings and other benefits as well as to mitigate exposures from the acquisition and integration of HBOS, risks concerning borrower credit quality, market related trends and developments, changing demographic trends, changes in customer preferences, changes to regulation, the policies and actions of Governmental and regulatory authorities in the UK or jurisdictions outside the UK, including other European countries and the US, exposure to regulatory scrutiny, legal proceedings or complaints, competition and other factors. Please refer to the rights issue prospectus issued by Lloyds Banking Group plc on 3 November 2009 for a discussion of such factors together with examples of forward looking statements. The forward looking statements contained in this document are made as at the date of this document, and the Group undertakes no obligation to update any of its forward looking statements.

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