



101/09

3 November 2009

NOT FOR DISTRIBUTION TO ANY US PERSON OR IN OR INTO THE UNITED STATES OR TO ANY PERSON LOCATED OR RESIDENT IN THE REPUBLIC OF ITALY (SEE “OFFER RESTRICTIONS” BELOW)

EXCHANGE OFFER AND PUBLICATION OF EXCHANGE OFFER MEMORANDUM

LLOYDS BANKING GROUP PLC ANNOUNCES AN INVITATION TO EXCHANGE CERTAIN EXISTING SECURITIES FOR ENHANCED CAPITAL NOTES GUARANTEED BY LLOYDS BANKING GROUP PLC OR LLOYDS TSB BANK PLC, OR AN EXCHANGE CONSIDERATION AMOUNT TO BE SATISFIED IN NEW SHARES AND/OR CASH AND/OR ADDITIONAL ENHANCED CAPITAL NOTES

LBG Capital No.1 plc (“LBG Capital No.1”), a wholly-owned indirect subsidiary of Lloyds Banking Group plc, has today invited all holders of the Existing Securities specified in the Appendix hereto (subject to certain offer restrictions set out in the Exchange Offer Memorandum (as defined below)), to Offer to Exchange any or all of their Existing Securities that are outstanding, in accordance with the relevant Exchange Priority and upon the terms and subject to the conditions set out in the Exchange Offer Memorandum (the “Exchange Offer”).

Holders of the Existing Securities are invited to Offer to Exchange such securities for (i) Enhanced Capital Notes (the “ECNs”) or (ii) the relevant Exchange Consideration as specified in the Exchange Offer Memorandum, to be delivered in the form of New Shares, cash or, in certain limited circumstances, Additional ECNs.

Rationale for the Exchange Offer

The Exchange Offer forms part of a wider package of proposals (the “Proposals”), under which the Group will, subject to shareholder approval: (i) generate at least £7.5 billion in core tier one and/or nominal value of contingent core tier 1 capital through the Exchange Offer and/or related arrangements; and (ii) raise £13.5 billion (£13 billion net of expenses) by way of a Rights Issue. The Board believes that the Proposals, which are fully underwritten, provide a significantly more attractive alternative to participating in the UK Government Asset Protection Scheme and offer superior economic value to shareholders. Further details regarding the Proposals were announced by the Company today and can be found on its website at: www.lloydsbankinggroup.com/investors.asp.

Capitalised terms used and not otherwise defined in this announcement have the meaning given in the Exchange Offer Memorandum dated 3 November 2009 (the “Exchange Offer Memorandum”). The Exchange Offer Memorandum is available for viewing on Lloyds Banking Group’s website, as set out below.

The Existing Securities

The Exchange Offer is being conducted with respect to 52 series of Existing Securities, comprising Upper Tier 2 securities in an aggregate principal amount of £2.52 billion, innovative Tier 1 securities in an aggregate principal amount of £7.68 billion and preference shares (or equivalents) with an aggregate liquidation preference of £4.09 billion, all as more particularly set out in the Appendix to this announcement. Subject to the terms and conditions of the Exchange Offer, Holders of Existing Securities will be invited to Offer to Exchange their Existing Securities in exchange for ECNs or for an Exchange Consideration Amount to be satisfied by the delivery or payment of New Shares and/or, at the election of LBG Capital No.1, cash and/or, in certain limited circumstances described in the Exchange Offer Memorandum, Additional ECNs.

The Existing Securities may be adversely affected by the outcome of negotiations between the Company, HM Treasury and the European Commission. These negotiations have made clear that the European Commission intends to require a commitment that members of the Group will not make a discretionary payment of coupons or dividends on hybrid capital securities issued by members of the Group (other than members of the Company's insurance group) and blocks on the exercise of optional early redemption features (capital calls) for a period of two years commencing 31 January 2010 (the "Affected Period"). A list of the relevant affected securities and certain information regarding the payment of interest and dividends thereon during the Affected Period, is set out in Appendix 9 to the Exchange Offer Memorandum.

It is the current intention of the Company that any decision to exercise capital calls in any Existing Securities that remain outstanding following the Affected Period and which belong to a class or series of Applicable Securities, will be made on an economic basis. As used above, "Applicable Securities" means Existing Securities belonging to a class or series (a) the holders of some of which had their Offers to Exchange accepted in the Exchange Offer (or in the U.S. Exchange Offer) in accordance with the Exchange Priorities set out in Appendices 1 and 2 to the Exchange Offer Memorandum (or, in relation to the U.S. Exchange Offer, the equivalent Exchange Priority described in the exchange offer memorandum relating to the U.S. Exchange Offer) or (b) which appears in the relevant Exchange Priority ahead of the lowest ranking class or series falling within (a) above.

The New Securities

The New Securities comprise the ECNs and New Shares. For the purposes of the Exchange Offer, the ECNs will be new lower tier 2 capital qualifying bonds which will automatically convert into ordinary shares of Lloyds Banking Group if the Group's published consolidated core tier 1 capital ratio falls to less than 5 per cent. The ECNs will have the benefit of a guarantee from either Lloyds Banking Group or Lloyds TSB Bank and of a deed poll to be entered into by Lloyds Banking Group in favour of the holders thereof. The ECNs contain non-discretionary payment provisions and, unlike the Existing Securities, have a fixed maturity date. Accordingly, the ECNs will not be affected by the coupon and dividend blocker restrictions described above.

The New Shares comprise ordinary shares of Lloyds Banking Group.

Exchange Options and Exchange Priorities

Holders who wish to participate in the Exchange Offer may choose from four Exchange Options through which to Offer to Exchange their Existing Securities (all as more particularly described in Part VI ("The Exchange Offer – Terms of the Exchange Offer") of the Exchange Offer Memorandum) as follows:

Exchange Option 1 – Exchange into ECNs only

Holders are entitled to Offer to Exchange their Existing Securities for the relevant series of ECNs as set out in Part III ("Summary Offering Table and Exchange Options Overview") of the Exchange Offer Memorandum.

Exchange Option 2 – Exchange for the relevant Exchange Consideration only

Holders are entitled to Offer to Exchange their Existing Securities for a consideration calculated by reference to the relevant Exchange Consideration Amount set out in the Exchange Offer Memorandum, which will be delivered to Holders in the form of New Shares and/or, at the election of LBG Capital No.1, cash and/or, in certain limited circumstances, Additional ECNs.

Exchange Option 3 – Exchange into ECNs or, failing which, the relevant Exchange Consideration

Holders are entitled to Offer to Exchange their Existing Securities for the relevant series of ECNs as set out in the Exchange Offer Memorandum. In the event that a Holder's Offer to Exchange is not accepted for ECNs pursuant to the ECN Priority, such Offer to Exchange may in certain circumstances be treated as an Offer to Exchange for the relevant Exchange Consideration Amount. The relevant ECN Issuer or Lloyds Banking Group (as the case may be) may then accept such Offers to Exchange in accordance with the ECA Priority.

Exchange Option 4 – Exchange for the relevant Exchange Consideration or, failing which, ECNs

Holders are entitled to Offer to Exchange their Existing Securities for a consideration calculated by reference to the relevant Exchange Consideration Amount which will be delivered to Holders in the form of New Shares and/or, at the election of LBG Capital No.1, cash and/or, in certain limited circumstances, Additional ECNs. In the event that a Holder's Offer to Exchange is not accepted for the relevant Exchange Consideration Amount pursuant to the ECA Priority, such Offer to Exchange may in certain circumstances be treated as an Offer to Exchange into ECNs. The relevant ECN Issuer or Lloyds Banking Group (as the case may be) may then accept such Offers to Exchange in accordance with the ECN Priority.

Upon expiration of the Exchange Offer Period, the relevant ECN Issuer or Lloyds Banking Group (as the case may be) will, if it accepts any Offers to Exchange, accept Offers to Exchange in accordance with the ECA Priority (as set out in Appendix 1 (“ECA Priority”) to the Exchange Offer Memorandum) when accepting Offers to Exchange for the relevant Exchange Consideration Amount, and in accordance with the ECN Priority (as set out in Appendix 2 (“ECN Priority”) to the Exchange Offer Memorandum) when accepting Offers to Exchange into ECNs, in each case in accordance with the operation of the Exchange Priorities described in Appendix 3 (“Interaction of Exchange Options and Exchange Priorities”) to the Exchange Offer Memorandum.

The ECN Issuer and Lloyds Banking Group will accept Offers to Exchange into (i) ECNs up to an aggregate principal amount equivalent to £5.5 billion (the “Maximum ECN New Issue Amount”); and (ii) the relevant Exchange Consideration Amount up to an aggregate amount equal to £1.5 billion (the “Maximum Exchange Consideration Amount”).

Exchange Ratio

Holders whose Offers to Exchange their Existing Securities have been accepted pursuant to the ECN Priority will receive ECNs of the relevant series specified in Part III of the Exchange Offer Memorandum, in an aggregate principal amount equal to the aggregate principal amount/liquidation preference of the corresponding series of Existing Securities which has been accepted for exchange. Such ECNs will be issued on the Early Settlement Date, expected to be on or around 1 December 2009.

Holders whose Offers to Exchange their Existing Securities have been accepted pursuant to the ECA Priority will, receive either (or, in limited circumstances, a combination of):

(i) such number of New Shares per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as applicable) in principal amount/liquidation preference of Existing Securities which are accepted for exchange, equal to the relevant Exchange Consideration Amount divided by the product of the New Shares Price and the relevant FX Rate (if applicable); or

(ii) an amount in cash (in the same currency as the relevant series or class of Existing Securities) equal to the relevant Exchange Consideration Amount per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as applicable) in principal amount/liquidation preference of Existing Securities which are accepted for exchange, payable in the same currency as the relevant series or class of Existing Securities which has been accepted for exchange; or

(iii) in the limited circumstances set out in the Exchange Offer Memorandum, Additional ECNs, in an aggregate principal amount equal to the aggregate principal amount/liquidation preference of the corresponding series of Existing Securities which has been accepted for exchange.

The relevant Exchange Consideration will be issued or, as the case may be, settled in cash approximately 90 days after the Expiration Deadline on the Late Settlement Date, expected to be on or around 18 February 2010.

Pricing of the New Securities

Conversion Price of the ECNs

The Conversion Price of the ECNs will be calculated by the Lead Dealer Managers by (i) taking the greater of (a) the arithmetic average of the daily per share Volume-Weighted Average Price of Ordinary Shares on the London Stock Exchange (calculated in sterling), as displayed under the heading "Bloomberg VWAP" on Bloomberg Page "LLOY <equity> AQR" (or its equivalent successor page if such page is not available), for each of the five consecutive trading days commencing on (and including) 11 November 2009 and ending on (and including) 17 November 2009 and (b) 90 per cent of the closing price of Ordinary Shares on the London Stock Exchange on 17 November 2009 (the "Unadjusted Conversion Price" or "UCP"), and (ii) multiplying the Unadjusted Conversion Price by the Rights Issue Factor.

The Unadjusted Conversion Price will be announced on 18 November 2009, and the Conversion Price will be announced on 27 November 2009. The Conversion Price shall apply to all series of ECNs and shall be subject to adjustment from time to time in accordance with the ECN Deed Poll.

New Shares Price

The price of the New Shares to be issued pursuant to the Exchange Offer (the "New Shares Price") will be calculated by the Lead Dealer Managers on 11 February 2010 and is equal to the greater of (i) the arithmetic average of the daily per share Volume-Weighted Average Price of Ordinary Shares on the London Stock Exchange (calculated in sterling), as displayed under the heading "Bloomberg VWAP" on Bloomberg Page "LLOY <equity> AQR" (or its equivalent successor page if such page is not available), for each of the five consecutive trading days commencing on (and including) 5 February 2010 and ending on and including 11 February 2010 and (ii) 90 per cent of the closing price of Ordinary Shares on the London Stock Exchange on 11 February 2010. The New Shares Price will be announced on 12 February 2010 in the Exchange Consideration Announcement.

Conditions to the Exchange Offer

Neither of the ECN Issuers nor Lloyds Banking Group will accept any Offers to Exchange from Holders of Existing Securities unless all resolutions as may be necessary to approve, effect and implement the Exchange Offer or the other elements of the Proposals, and authorise and permit the creation and allotment of New Shares, are passed at the Lloyds Banking Group General Meeting (or any adjournment thereof).

Expected Timetable

The times and dates below are indicative only and subject to amendment by LBG Capital No.1 with the consent of the Dealer Managers.

The expected timetable for the Exchange Offer is detailed below:

Events	Dates and Times (All times are London time)
Commencement of the Exchange Offer Period	3 November 2009
Calculation of the Unadjusted Conversion Price and each Fixed Rate of Exchange	17 November 2009
UCP Announcement	18 November 2009
Expiration Deadline	4.00 p.m.*, on 20 November 2009
Exchange Offer Results Announcement	23 November 2009
Lloyds Banking Group General Meeting	11.00 a.m., on 26 November 2009
Conversion Price Announcement	27 November 2009
Early Settlement Date	Expected on 1 December 2009
Exchange Consideration Announcement	12 February 2010
Late Settlement Date	Expected to be on or around 18 February 2010

*1.00 p.m. for Existing Securities held in CREST or in certificated form

Holders are advised to check with the bank, securities broker, Clearing Systems or other Intermediary, if any, through which they hold their Existing Securities, whether such Intermediary applies different deadlines for any of the events specified above, and then to allow for such deadlines if they are earlier. The deadlines set by each Clearing System for the submission and withdrawal of Exchange Instructions will also be earlier than the relevant deadlines specified above and in the Exchange Offer Memorandum and, in the case of Existing Securities held in CREST, the deadline for delivery of Non-Clearing System Exchange Instructions and TTE Instructions is 1.00p.m., London time.

Publication of Exchange Offer Memorandum

The Exchange Offer Memorandum has been approved as a prospectus by the UK Listing Authority and is available for viewing on Lloyds Banking Group's website at:
www.lloydsbankinggroup.com/investors.asp.

Eligible holders of the Existing Securities are advised to read carefully the Exchange Offer Memorandum for full details of and information on the procedures for participating in the Exchange Offer. Subject to applicable law and as provided in the Exchange Offer Memorandum, LBG Capital No.1 may, with the prior consent of the Dealer Managers (such consent not to be unreasonably withheld or delayed), extend, re-open, amend, waive any condition of or terminate the Exchange Offer at any time.

Separate U.S. Exchange Offer

A separate exchange offer will be made in certain countries outside the United States and to certain sophisticated holders in the United States who are "qualified institutional buyers" as defined in Rule 144A of the Securities Act with respect to 6 series of existing securities, comprising upper tier 2 securities in an aggregate principal amount of £1.72 billion and innovative tier 1 securities in an aggregate principal amount of £0.45 billion. Details of such exchange offer are contained in a separate exchange offer memorandum dated 3 November 2009.

The Exchange Offer is not being made in the United States or Italy or to any U.S. person or to any person located or resident in Italy and is also restricted in other jurisdictions.

Requests for information in relation to the Exchange Offer should be directed to the Dealer Managers:

**JOINT GLOBAL CO-ORDINATORS, JOINT SPONSORS, LEAD DEALER MANAGERS AND JOINT
STRUCTURING ADVISERS**

Merrill Lynch International

Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ
United Kingdom

Tel: +44 20 7995 3715

Fax: +44 20 7995 8582

Attention: Liability Management –
John Cavanagh

email: john.m.cavanagh@baml.com

UBS Limited

1 Finsbury Avenue
London EC2M 2PP
United Kingdom

Tel: +44 20 7567 0525

Fax: +44 20 7568 5332

Attention: Liability Management Group email: OL-
Lloyds-Exchange@ubs.com

JOINT STRUCTURING ADVISER

Lloyds Banking Group plc

25 Gresham Street
London EC2V 7HN
United Kingdom

The other Dealer Managers in connection with the Exchange Offer are:

THE DEALER MANAGERS

Citigroup Global Markets Limited

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Tel: +44 20 7986 8969

Attention: Liability Management
Graham Bahan

email: liabilitymanagement.europe@citi.com

Goldman Sachs International

Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

Tel: +44 20 7552 9912

Fax: +44 20 7774 4477

Attention: European Fixed Income Syndicate
Oliver Sedgwick
email: oliver.sedgwick@gs.com

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

Tel: +44 20 7991 5874

Attention: Liability Management – Andrew
Montgomery

email: liability.management@hsbcib.com

J.P. Morgan Securities Ltd.

125 London Wall
London EC2Y 5AJ
United Kingdom

Tel: +44 20 7779 2468

Attention: FIG Syndicate - Richard Howard
email: richard.v.howard@jpmorgan.com

Requests for information in relation to the procedures for exchanging Existing Securities in, and for any documents or materials relating to, the Exchange Offer should be directed to the Exchange Agent:

EXCHANGE AGENT

Lucid Issuer Services Limited

436 Essex Road
London N1 3QP
United Kingdom

Tel: +44 20 7704 0880

Fax: +44 20 7067 9098

Attention: Sunjeev Patel, Lee Pellicci, Yves Theis, David Shilson
email: lbg@lucid-is.com

Requests for information in relation to Existing Securities held through CREST and in certificated form outside of CREST should be directed to the relevant Registrar as follows:

REGISTRARS

Equiniti Limited

Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
United Kingdom

Tel: 0871 384 2831
(if calling from within the UK)*
Attention: Corporate Actions
Email: offer@equiniti.com

Capita Registrars Limited

The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

Tel: 0871 664 9233
(if calling from within the UK)*

- **Calls cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.30 p.m. Monday to Friday (except UK public holidays). If calling from outside the UK please call +44 208 495 8082 for Equiniti Limited or +44 800 141 2241 for Capita Registrars Limited.**

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For further information:

Investor Relations

Michael Oliver +44 (0) 20 7356 2167
Director of Investor Relations
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Moira d'Arcy +44 (0) 20 7356 2164
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FORWARD LOOKING STATEMENTS

This announcement contains forward looking statements with respect to the business, strategy and plans of the Lloyds Banking Group, its current goals and expectations relating to its future financial condition and performance. 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 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 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 latest Annual Report on Form 20-F filed with the US Securities and Exchange Commission for a discussion of such factors. The forward looking statements contained in this announcement are made as at the date of this announcement, and the Group undertakes no obligation to update any of its forward looking statements.

APPENDIX

ISIN of Existing Securities	Title of Existing Securities	Principal Amount Outstanding	ECNs Exchange Ratio	Series Number of ECNs	ECN ISIN	Exchange Consideration Amount per £1,000, €1,000, U.S.\$1,000 or ¥1,000 (as applicable) of Existing Securities
<i>Existing Preference Shares</i>						
XS0408828803 GB00B3KSB675	Lloyds Banking Group plc £745,431,000 6.0884% Non-Cumulative Fixed to Floating Rate Preference Shares	£745,431,000	1:1	1	XS0459086582	£700
XS0408826427	Lloyds Banking Group plc £334,951,000 6.3673% Non-Cumulative Fixed to Floating Rate Preference Shares	£334,951,000	1:1	2	XS0459086749	£700
GB00B3KSB568	Lloyds Banking Group plc £186,190,532 6.475% Non-Cumulative Preference Shares	£186,190,532	1:1	3	XS0459086822	£700
GB00B3KS9W93	Lloyds Banking Group plc £299,987,729 9.25% Non-Cumulative Irredeemable Preference Shares	£299,987,729	1:1	4	XS0459087044	£940
GB00B3KSB238	Lloyds Banking Group plc £99,999,942 9.75% Non-Cumulative Irredeemable Preference Shares	£99,999,942	1:1	5	XS0459087127	£980
XS0406095637	Lloyds Banking Group plc €500,000,000 7.875% Non-Cumulative Preference Shares	€500,000,000	1:1	6	XS0459087390	€750
XS0406095041	Lloyds Banking Group plc U.S.\$1,250,000,000 7.875% Non-Cumulative Preference Shares	U.S.\$1,250,000,000	1:1	7	XS0459087473	U.S.\$750
XS0265483064	Saphir Finance Public Limited Company £600,000,000 6.369% Perpetual Non-Cumulative Securities	£600,000,000	1:1	8	XS0459093364	£700
XS0156372343	Lloyds TSB Bank plc U.S.\$1,000,000,000 6.90% Perpetual Capital Securities	U.S.\$1,000,000,000	1:1	9	XS0459087556	U.S.\$880
XS0109138536 (Reg S) XS0109138882 (144A)	Bank of Scotland Capital Funding L.P. £250,000,000 8.117% Non-cumulative Perpetual Preferred Securities, Class A	£250,000,000	1:1	10	XS0459087630	£860
GB0058322420	HBOS Euro Finance (Jersey) L.P. €415,000,000 7.627% Fixed to Floating Rate Guaranteed Non-Voting Non-Cumulative Preferred Securities	€415,000,000	1:1	11	XS0459087804	€870
XS0107222258	Lloyds TSB Capital 1 L.P. €430,000,000 7.375% Step-up Non-Voting Non-Cumulative Preferred Securities	€430,000,000	1:1	12	XS0459087986	€950
XS0156923913	Lloyds TSB Bank plc €500,000,000 6.35% Step-up Perpetual Capital Securities	€500,000,000	1:1	13	XS0459088018	€850
XS0107228024	Lloyds TSB Capital 2 L.P. £250,000,000 7.834% Sterling Step-up Non-voting Non-cumulative Preferred Securities	£250,000,000	1:1	14	XS0459088109	£900
XS0255242769	HBOS Capital Funding No.3 L.P. €750,000,000 4.939% Fixed-to-Floating Rate Non-voting Non-cumulative Perpetual Preferred Securities	€750,000,000	1:1	15	XS0459088281	€730
XS0125681345	Bank of Scotland plc £150,000,000 7.286% Series A Perpetual Regulatory Tier One Securities	£150,000,000	1:1	16	XS0459088364	£810

XS0125686229	Bank of Scotland plc £150,000,000 7.281% Series B Perpetual Regulatory Tier One Securities	£150,000,000	1:1	17	XS0459088448	£800
XS0218638236	Lloyds TSB Bank plc €750,000,000 4.385% Step- up Perpetual Capital Securities	€750,000,000	1:1	18	XS0459088794	€730
XS0353590366	HBOS Capital Funding No.4 L.P. £750,000,000 9.54% Fixed-to-Floating Rate Non- Voting Non-cumulative Perpetual Preferred Securities	£750,000,000	1:1	19	XS0459088877	£850
XS0139175821	HBOS Capital Funding L.P. £600,000,000 6.461% Guaranteed Non-Voting Non- cumulative Perpetual Preferred Securities Series A	£600,000,000	1:1	20	XS0459089099	£840
XS0408620135	Lloyds TSB Bank plc £784,611,000 13.00% Step- up Perpetual Capital Securities	£784,611,000	1:1	21	XS0459089255	£1000
XS0408623311	Lloyds TSB Bank plc €532,111,000 13.00% Euro Step-up Perpetual Capital Securities	€532,111,000	1:1	22	XS0459089412	€1000
XS0408620721	Lloyds TSB Bank plc £700,022,000 13.00% Sterling Step-up Perpetual Capital Securities	£700,022,000	1:1	23	XS0459089685	£1000
XS0109139344 (Reg S) XS0109139427 (144A)	Bank of Scotland Capital Funding L.P. £150,000,000 7.754% Non- cumulative Perpetual Preferred Securities, Class B	£150,000,000	1:1	24	XS0459089768	£840
GB0058327924	HBOS Sterling Finance (Jersey) L.P. €245,000,000 7.881% Guaranteed Non- voting Non-cumulative Preferred Securities	€245,000,000	1:1	25	XS0459089925	€890
XS0165483164	HBOS Capital Funding No.1 L.P. U.S.\$1,000,000,000 6.85% Guaranteed Non- voting Non-cumulative Perpetual Preferred Securities	U.S.\$1,000,000,000	1:1	26	XS0459090006	U.S.\$800
Existing Notes						
XS0099508698	Lloyds TSB Bank plc £410,000,000 6.625% Undated Subordinated Step- up Notes	£153,033,000	1:1	27	XS0459090188	£880
XS0111627112	HBOS plc €300,000,000 Floating Rate Undated Subordinated Step-up Notes	€72,598,000	1:1	28	XS0459090261	€820
XS0125599687	HBOS plc ¥42,500,000,000 3.50% Undated Subordinated Step-up Notes	¥42,500,000,000	1:1	29	XS0459090345	¥850
XS0138988042	HBOS plc €500,000,000 6.05% Fixed to Floating Rate Undated Subordinated Notes	€75,380,000	1:1	30	XS0459090428	€910
XS0046690961	Bank of Scotland plc £200,000,000 8.625% Perpetual Subordinated Notes	£61,026,000	1:1	31	XS0459090691	£840
XS0188201536	HBOS plc €750,000,000 4.875% Undated Subordinated Fixed to Floating Rate Instruments	€187,049,000	1:1	32	XS0459090774	€760
XS0188201619	HBOS plc €500,000,000 Floating Rate Undated Subordinated Instruments	€113,415,000	1:1	33	XS0459090931	€680
XS0059171230	Bank of Scotland plc £100,000,000 10.25% Subordinated Undated Instruments	£58,170,000	1:1	34	XS0459091079	£910

XS0056390007	Lloyds TSB Bank plc ¥20,000,000,000 Undated Subordinated 5.57% Step-up Coupon Notes	¥20,000,000,000	1:1	35	XS0459091152	¥800
XS0177955381	HBOS plc €750,000,000 5.125% Undated Subordinated Fixed to Floating Rate Notes	€293,781,000	1:1	36	XS0459091236	€760
XS0063730203	Bank of Scotland plc ¥17,000,000,000 4.25% Subordinated Undated Instruments	¥17,000,000,000	1:1	37	XS0459091319	¥800
XS0111599311	HBOS plc £300,000,000 7.50% Undated Subordinated Step-up Notes	£4,478,000	1:1	38	XS0459091400	£810
XS0169667119	Lloyds TSB Bank plc £500,000,000 5.125% Upper Tier 2 Callable Perpetual Subordinated Notes	£153,103,000	1:1	39	XS0459091582	£800
XS0099507534	Lloyds TSB Bank plc £270,000,000 6.50% Undated Subordinated Step- up Notes	£97,457,000	1:1	40	XS0459091665	£800
XS0205326290	HBOS plc £500,000,000 5.625% Cumulative Callable Fixed to Floating Rate Undated Subordinated Notes	£4,080,000	1:1	41	XS0459091749	£760
GB0000395094	Bank of Scotland plc £100,000,000 12.00% Perpetual Subordinated Bonds	£100,000,000	1:1	42	XS0459091822	£1000
XS0166717388	HBOS plc £600,000,000 5.75% Undated Subordinated Step-up Notes	£3,509,000	1:1	43	XS0459092044	£790
XS0083932144	Bank of Scotland plc £150,000,000 7.375% Subordinated Undated Instruments	£57,815,000	1:1	44	XS0459092127	£770
GB0000395102	Bank of Scotland plc £100,000,000 8.750% Perpetual Subordinated Bonds	£100,000,000	1:1	45	XS0459092390	£860
XS0079927850	Lloyds TSB Bank plc £200,000,000 8.00% Undated Subordinated Step- up Notes	£68,869,000	1:1	46	XS0459092473	£870
GB0005242879	Bank of Scotland plc £50,000,000 9.375% Perpetual Subordinated Bonds	£50,000,000	1:1	47	XS0459092556	£900
XS0158313758	HBOS plc £500,000,000 5.75% Undated Subordinated Step-up Notes	£8,530,000	1:1	48	XS0459092630	£790
XS0099507963	Lloyds TSB Bank plc £450,000,000 6.50% Undated Subordinated Step- up Notes	£107,506,000	1:1	49	XS0459092804	£820
XS0145407507	Lloyds Banking Group plc £500,000,000 6.00% Undated Subordinated Guaranteed Bonds	£113,965,000	1:1	50	XS0459092986	£820
GB0001905362	Lloyds TSB Bank plc £100,000,000 11.75% Perpetual Subordinated Bonds	£100,000,000	1:1	51	XS0459093109	£1000
GB0000394915	Bank of Scotland plc £75,000,000 13.625% Perpetual Subordinated Bonds	£75,000,000	1:1	52	XS0459093281	£1000

DISCLAIMER

This announcement must be read in conjunction with the Exchange Offer Memorandum. This announcement and the Exchange Offer Memorandum contain important information which must be read carefully before any decision is made with respect to the Exchange Offer. If any Holder is in any doubt as to the action it should take, it is recommended to seek its own legal, tax, financial and accounting advice, including as to any tax consequences, from its stockbroker, bank manager, solicitor, accountant or other independent financial adviser. Any individual or company whose Existing Securities are held on its behalf by a broker, dealer, bank, custodian, trust company, or other nominee must contact such entity if it wishes to participate in the Exchange Offer. None of the Dealer Managers, the Exchange Agent, the ECN Trustee, or any person who controls, or is a director, officer, employee or agent of such persons, or any affiliate of such persons, makes any recommendation as to whether Holders should participate in the Exchange Offer. No offer or invitation to acquire or exchange any securities is being made pursuant to this announcement. Neither this announcement nor the Exchange Offer Memorandum constitute an invitation to participate in the Exchange Offer in any jurisdiction in which, or to or from any person to or from whom, it is unlawful to make such invitation under applicable securities laws and offers of Existing Securities for exchange pursuant to the Exchange Offer will not be accepted from Holders in any jurisdiction where such invitation is unlawful.

The distribution of this announcement and the Exchange Offer Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession this announcement and/or the Exchange Offer Memorandum come are required by each of the ECN Issuers, Lloyds Banking Group, the Dealer Managers and the Exchange Agent to inform themselves about, and to observe, any such restrictions.

OFFER RESTRICTIONS

European Economic Area

This announcement and the Exchange Offer Memorandum have been prepared on the basis that the Exchange Offer will either be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the EEA, from the requirement to produce a prospectus for offers of the ECNs or the relevant Exchange Consideration or by the use of the Exchange Offer Memorandum, as a prospectus approved by the UKLA and prepared in accordance with the Prospectus Directive and the Prospectus Rules made under section 73A of FSMA and passported to the EEA Permitted Jurisdictions. Accordingly, any person making or intending to make an Offer to Exchange within the EEA should only do so in the EEA Permitted Jurisdictions using the Exchange Offer Memorandum, or, in any other EEA jurisdiction, in circumstances in which no obligation arises for the ECN Issuers, Lloyds Banking Group or any of the Dealer Managers to produce a prospectus for such offer.

United States

The Exchange Offer is not being made, and will not be made, directly or indirectly, in or into, or by use of the mail of, or by any means or instrumentality of interstate or foreign commerce of or of any facilities of a national securities exchange of, the United States or to, or for the account or benefit of, U.S. persons. This includes, but is not limited to, facsimile transmission, electronic mail, telex, telephone and the internet. Accordingly, copies of this announcement, the Exchange Offer Memorandum and any other documents or materials relating to the Exchange Offer are not being, and must not be, directly or indirectly, mailed or otherwise transmitted, distributed or forwarded (including, without limitation, by custodians, nominees or trustees) in or into the United States or to U.S. persons and the Existing Securities cannot be Offered for Exchange by any such use, means, instruments or facilities or from within the United States or by U.S. persons. Any purported Offer to Exchange Existing Securities resulting directly or indirectly from a violation of these restrictions will

be invalid, and any purported Offer to Exchange made by a U.S. person, a resident of the United States or from the United States or from any agent, fiduciary or other intermediary acting on a nondiscretionary basis for a principal giving instructions from within the United States or for a U.S. person will be invalid and will not be accepted.

Neither this announcement nor the Exchange Offer Memorandum constitute an offer of securities for sale in the United States or to U.S. persons. The New Securities have not been, and will not be, registered under the Securities Act or the securities laws of any state or jurisdiction of the United States, and may not be offered, sold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons. The purpose of this announcement and the Exchange Offer Memorandum is limited to the Exchange Offer, and neither this announcement nor the Exchange Offer Memorandum may be sent or given to any person other than in an offshore transaction in accordance with Regulation S under the Securities Act.

Each Holder of Existing Securities participating in the Exchange Offer will represent that it is not a U.S. person and is participating in the Exchange Offer in accordance with Regulation S under the Securities Act and that it is not participating in the Exchange Offer from the United States nor is it a U.S. person or an agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal giving instructions from within the United States or for a U.S. person.

Italy

This announcement and the Exchange Offer is not being made in the Republic of Italy. The Exchange Offer, this announcement and the Exchange Offer Memorandum have not been submitted to the clearance procedure of the Commissione Nazionale per le Società e la Borsa (“CONSOB”) pursuant to Italian laws and regulations. Accordingly, the Exchange Offer is not made or made available to holders of Existing Securities who are Italian residents and/or persons located in the Republic of Italy and they may not submit acceptances relating to Existing Securities in respect of the Exchange Offer and, as such, any acceptances received from or on behalf of such Holders of Existing Securities shall be ineffective and void. Neither the Exchange Offer Memorandum nor any other information material relating to the Exchange Offer or the Existing Securities may be distributed or made available in the Republic of Italy.

Belgium

Neither this announcement, the Exchange Offer Memorandum nor any other offering material has been submitted or will be submitted for approval or recognition to the Belgian Banking, Finance and Insurance Commission (“Commission bancaire, financière et des assurances/Commissie voor het Bank-, Financier- en Assurantiewezen”). The Exchange Offer may not be made in Belgium by way of a public offering, as defined in Articles 3 and 6 of the Belgian Law of 1 April 2007 on public takeover bids or as defined in Article 3 of the Belgian Law of 16 June 2006 on the public offer of placement instruments and the admission to trading of placement instruments on regulated markets (the “Belgian Public Offer Law”), each as amended or replaced from time to time. Accordingly, the Exchange Offer may not be advertised and the Exchange Offer will not be extended and no Exchange Offer Memorandum, other memorandum, information circular, brochure or any similar document has or will be distributed, directly or indirectly, to any person in Belgium other than “qualified investors” in the meaning of Article 10 of the Belgian Public Offer Law (as amended from time to time). This announcement and the Exchange Offer Memorandum have been issued only for the personal use of the above qualified investors and exclusively for the purpose of the Exchange Offer. Accordingly, the information contained herein and in the Exchange Offer Memorandum, may not be used for any other purpose or disclosed to any other person in Belgium.

General

The Dealer Managers, the Registrars and the Exchange Agent (and their respective directors, employees or affiliates) make no representations or recommendations whatsoever regarding this document or the Exchange Offer. The Exchange Agent is the agent of the ECN Issuers and Lloyds Banking Group and owes no duty to any Holder. None of Lloyds Banking Group, the ECN Issuers, the Dealer Managers, the Registrars or the Exchange Agent makes any recommendation as to whether or not Holders should participate in the Exchange Offer.

The Exchange Offer does not constitute an offer to buy or the solicitation of an offer to sell the Existing Securities and/or the New Securities in any circumstances in which such offer or solicitation is unlawful. In those jurisdictions where the securities or other laws require the Exchange Offer to be made by a licensed broker or dealer and either of the Dealer Managers or any of their respective affiliates is such a licensed broker or dealer in that jurisdiction, the Exchange Offer shall be deemed to be made on behalf of Lloyds Banking Group and the ECN Issuers by such Dealer Manager or affiliate (as the case may be) in such jurisdiction.

– END –

FORWARD LOOKING STATEMENTS

This announcement contains forward looking statements with respect to the business, strategy and plans of the Lloyds Banking Group, its current goals and expectations relating to its future financial condition and performance. 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 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 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 latest Annual Report on Form 20-F filed with the US Securities and Exchange Commission for a discussion of such factors. The forward looking statements contained in this announcement are made as at the date of this announcement, and the Group undertakes no obligation to update any of its forward looking statements.