



27 June 2012

PROJECT VERDE - UPDATE

Lloyds Banking Group ('The Group') has made considerable progress with the Co-operative Group (Co-op) on the Verde transaction. The Group and Co-op now have an understanding on the commercial terms for the transaction. This is subject to agreeing satisfactory documentation, the approval of their respective boards, and further discussions with the FSA, HMT and the European Commission.

During this final phase of the discussions, and in order to proceed to 'Heads of Agreement', negotiations with the Co-op will proceed on an exclusive basis.

The Verde business has 632 branches across the UK with c.5m customers representing 6% of the UK branch network and, when combined with the Co-op business, c.7% of UK current accounts. The proposed transaction would be based upon a revised smaller business perimeter, which has no funding gap in terms of assets and liabilities, and is likely, in terms of scale, to have equity capital of £1.5 billion supporting it.

We have informed NBNK Investments plc of today's announcement and we appreciate their interest in the Verde business.

– END –

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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. Statements that are not historical facts, including statements about the Group 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 business, strategy, plans and/or results may differ materially from those expressed or implied in these forward looking statements as a result of a variety of risks, uncertainties and other factors, including, without limitation, UK domestic and global economic and business conditions; the ability to derive cost savings and other benefits including, without limitation, as a result of the integration of HBOS and the Group's simplification programme; the ability to access sufficient funding to meet the Group's liquidity needs; changes to the Group's credit ratings; risks concerning borrower or counterparty credit quality; instability in the global financial markets including Eurozone instability; changing demographic and market related trends; changes in customer preferences; changes to regulation, accounting standards or taxation, including changes to regulatory capital or liquidity requirements; the policies and actions of governmental or regulatory authorities in the UK, the European Union, or jurisdictions outside the UK, including other European countries and the US; the ability to attract and retain senior management and other employees; requirements or limitations imposed on the Group as a result of HM Treasury's investment in the Group; the ability to complete satisfactorily the disposal of certain assets as part of the Group's EU state aid obligations; the extent of any future impairment charges or write-downs caused by depressed asset valuations; exposure to regulatory scrutiny, legal proceedings or complaints, actions of competitors 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 certain factors together with examples of forward looking statements. 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.