



11 March 2014

CHANGES TO GROUP DEFINED BENEFIT PENSION SCHEMES

Lloyds Banking Group has today announced a change to its defined benefit pension schemes. The Group has been reviewing its pension arrangements as part of a wider review of the pay, benefits and reward it offers to colleagues. As a result, and after consultation with affected colleagues and recognised Unions, the Group has decided to revise the current cap on the increases in pensionable pay used in calculating the pension benefit, from 2% to 0% with effect from 2 April 2014.

The Group believes that while the defined benefit schemes remain an important part of the employees' benefit package, the announced change represents the right balance between providing fairer pension benefits to all colleagues and managing the Group's capital and risk position.

The current estimated effect of the change is a one-off benefit of around £1bn to the Income Statement which would be recognised in the second quarter outside of underlying profit. The effect on the Group's capital position will depend on the funding position of the defined benefit schemes on 2 April 2014, and is expected to have a positive effect on the Group's capital ratios.

Notes to editors

The Group operates six defined benefit pension schemes with active members in the UK with total assets of £32.6bn as at 31 December 2013. Around one third of our colleagues (around 35,000) are earning pension benefits in these schemes which have been closed to new entrants for a number of years. The remaining two thirds of our colleagues are members of the Group's defined contribution scheme, 'Your Tomorrow'.

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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 and 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 future events and circumstances that will or may occur. 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 factors, including, but not limited to, UK domestic and global economic and business conditions; the ability to derive cost savings and other benefits, including as a result of the Group's Simplification programme; and 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 and the impact of any sovereign credit rating downgrade or other sovereign financial issues; market-related risks including changes in interest rates and exchange rates; changing demographic and market-related trends; changes in customer preferences; changes to laws, 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 other jurisdictions in which the Group operates, including the US; the implementation of Recovery and Resolution Directive and banking reform following the recommendations made by the Independent Commission on Banking; 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 satisfactorily dispose of certain assets or otherwise meet the Group's EC State aid obligations; the extent of any future impairment charges or write-downs caused by depressed asset valuations, market disruptions and illiquid markets; the effects of competition and the actions of competitors, including non-bank financial services and lending companies; exposure to regulatory scrutiny, legal proceedings, regulatory investigations or complaints, 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.