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LLOYDS BANKING GROUP ANNOUNCES INTENTION TO TRANSFER ITS HOLDINGS IN HBOS PLC TO LLOYDS TSB BANK PLC

Lloyds Banking Group plc ("Lloyds Banking Group") today announces its intention to adjust the Group's corporate structure and transfer its current holding in HBOS plc ("HBOS") to Lloyds TSB Bank plc ("Lloyds TSB"). Following this move Lloyds TSB will become the immediate parent of HBOS. Lloyds Banking Group will continue to directly own Lloyds TSB but, as a result of this transaction will own HBOS indirectly, as Lloyds TSB will be the immediate parent of HBOS.

This transfer follows a review by management of the structure of Lloyds Banking Group and a programme to develop and implement a legal entity structure that is efficient from a financial, regulatory and capital perspective. It also streamlines reporting and disclosure requirements, reduces costs and improves capital efficiencies. The capital ratios of Lloyds Banking Group will not change as a result of this restructure.

The proposed transfer of HBOS is not expected to have any impact upon staff or customers, whose relationships with the legal entities in the Lloyds Banking Group will remain unchanged as a result of this transfer. There is also no intention to alter the banking licences in operation within Lloyds Banking Group. It is the current intention that both Lloyds TSB and Bank of Scotland plc will retain their banking licences.

The proposed transfer has been approved by the Financial Services Authority, and the Group currently expects it to become effective on 1 January 2010.

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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 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 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.