

UK Financial Investments Ltd

100 Parliament Street, London, SW1A 2BQ

Robin Budenberg
Chairman

Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

16th September 2013

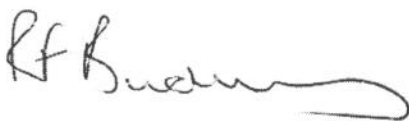
Dear Chancellor,

We have been engaged in an intense programme of work over recent months to assess the options for beginning the sell-down of HM Government's shareholding in Lloyds in the near-term. Our view, based on the outcome of this work and in conjunction with our advisers, is that we consider the current share price to be fair value and that investor sentiment and risk appetite remains conducive to participating in a large share placing. On that basis, we judge that this is the right moment to sell for taxpayers.

We believe that this transaction should be launched via an accelerated bookbuild to institutional investors with a deal size of 6% of the issued ordinary share capital of Lloyds.

Given the feedback from the Bookrunners, and assuming no substantive market events during bookbuilding, on behalf of the UKFI Board I confirm that we are confident an accelerated bookbuild would achieve a price which is less than a 5% discount to the current traded price of 77.41p.

On behalf of the Board



Robin Budenberg
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