LLOYDS BANKING GROUP

BETTER ACCESS TO BANKING

FINANCIAL INCLUSION REPORT

OVERVIEW OF LLOYDS BANKING GROUP

Lloyds Banking Group is a leading UK-based financial services group providing a **wide range** of banking and financial services, primarily in the UK, to personal and corporate customers.

Lloyds Banking Group was formed in January 2009 following the acquisition of HBOS by Lloyds TSB Group. Our main business activities are **retail**, **commercial** and **corporate banking**, **general insurance**, **life assurance**, **pensions** and **investment provision**.

The Group also operates an international banking business with a global footprint in some **30 countries.**

Services are offered through a number of well recognised brands including **Lloyds TSB**, **Halifax**, **Bank of Scotland**, **Scottish Widows**, **Clerical Medical** and **Cheltenham & Gloucester** via our extensive distribution capability comprising the largest branch network in the UK and intermediary channels.

Our vision is to be recognised as the best financial services company in the UK by customers, colleagues, communities and shareholders.

CONTENTS

Foreword by Mark Lazarowicz, Chair of the All Party Parlimentary Group on Debt and Personal Finance	2
Foreword by Helen Weir, Lloyds Banking Group Financial Inclusion sponsor	3
Highlights	4
Access to banking services	5
Offering a range of banking channels	7
Encouraging saving for the future	9
Supporting small businesses in deprived areas	10
Access to affordable credit and micro finance	12
Access to money advice	14
Increasing financial literacy and financial capability	16
Our commitments: future priorities	18
Resources	19
About this report	20

FOREWORD BY MARK LAZAROWICZ, CHAIR OF THE ALL PARTY PARLIAMENTARY GROUP ON DEBT AND PERSONAL FINANCE

THE PROBLEM OF FINANCIAL EXCLUSION CAN ONLY BE PROPERLY TACKLED BY THE FINANCIAL SECTOR, GOVERNMENT, THE VOLUNTARY SECTOR AND CONSUMERS WORKING TOGETHER.

I am pleased to see the publication of the report by Lloyds Banking Group on its work on financial inclusion. Trust and confidence in our banks needs to be restored following the banking crisis and there is still much more to be done to make financial services genuinely inclusive.

The problem of financial exclusion can only be properly tackled by the financial sector, government, the voluntary sector and consumers working together. This report sets out some of the work that is being done but nobody can be unaware of the significant challenges in this area that still lie ahead.

The banking industry in the UK has not served those on lower incomes in the way it should do. My colleagues and I on the All Party Group will continue a dialogue with the banks on how we can increase financial capability, reach those who remain financially excluded and support those who are struggling to manage debts.

Continued initiatives of the kind set out in this report are vital if the banking sector is to regain public confidence. A stable banking industry is central to the proper functioning of our economy but it must look beyond that to recognise its obligations to the wider society of which it forms a part.

Mark Lazarowicz
MP for Edinburgh North and Leith

Chair, All Party Parliamentary Group on Debt and Personal Finance

FOREWORD BY HELEN WEIR, LLOYDS BANKING GROUP FINANCIAL INCLUSION SPONSOR

WE ARE FOCUSED ON IMPROVING LEVELS OF FINANCIAL INCLUSION AND LITERACY IN THE UK, PARTICULARLY AMONGST VULNERABLE GROUPS.

As a commercial and retail bank, our customers are at the heart of everything we do. The behaviour of banks has seldom been under greater scrutiny and the sector needs to do what it can to re-build confidence and trust.

DEDICATED PRODUCTS AND SERVICES

Part of that process requires a discussion about the function of banking and what it can help achieve. We have dedicated products and services that facilitate financial inclusion. We see this as integral to our business strategy.

Banking services are an essential part of everyday life. Financial exclusion means not having access to the basic financial services most people in the UK take for granted. A minority of people in the UK are outside the financial system and this can create real difficulties for them, making it much harder, for example, to get a job.

As the Executive with responsibility for financial inclusion, I know that widening access to banking is one of the most important items on the financial inclusion agenda. I am proud that we are the biggest provider of social bank accounts in the UK, with a 48 per cent share of all social bank accounts.

WORKING IN PARTNERSHIP

Working together with specialist organisations also produces positive results. For example, we are working with the National Offender Management Service and UNLOCK, the National Association of Reformed Offenders to provide individuals leaving prison with access to banking facilities. Research by both organisations shows that having access to a bank account helps ex-offenders who are committed to re-settling into the community.

FINANCIAL CAPABILITY

We also recognise that helping our customers to gain the skills and confidence to manage their money is important, particularly in these difficult economic conditions. We aim to assist our customers with the right information and to support them in acquiring the skills to manage their money effectively. We provide dedicated Customer Support and Money Management units to provide specialist help to customers who are concerned about their financial situation.

STAKEHOLDER DIALOGUE

I share the view, however, set out by Mark Lazarowicz in his foreword to this Report, that there is always more the banks can do in this important area. I want Lloyds Banking Group to take a lead in achieving that. Some of our next steps are set out on page 18. For example, we are seeking to build on our work with credit unions and already operate over 100 accounts for them.

I have recently appointed Graham Lindsay, Managing Director Customer Experience, as the Group's Financial Inclusion Champion. Graham will be seeking feedback on our financial inclusion programme from key stakeholders and discussing how we can help make a difference.

Externally, our Managing Director for Lloyds Banking Group in Scotland, Susan Rice is a member of the Financial Inclusion Taskforce, an independent body appointed to advise HM Treasury and to monitor and evaluate progress on its financial inclusion goals.

We welcome any comments on our work and I trust you will enjoy reading about it.

Helen Weir
Group Executive Director, Retail

HIGHLIGHTS

This report sets our financial inclusion activities and our future agenda.

Here are some of our highlights from this report.

ACCESS TO BANKING SERVICES

We are the **biggest provider of social bank accounts in the UK**. We have a 48 per cent share of all social bank accounts and a 30 per cent share of all new accounts opened in 2009.

We have **installed 100 free-to-use ATMs in areas of social deprivation** that previously did not have free cash machines.

OFFERING A RANGE OF BANKING CHANNELS

We provide **broad access** to banking through a range of channels including our branch network and telephone and internet banking services.

We have the **largest free-to-use ATM network in the UK**.

We were the **first bank to partner with the UK Post Office**, so that our customers can also use around 12,000 Post Offices to do their banking.

ENCOURAGING SAVING FOR THE FUTURE

We are the only bank to offer our social banking customers a **bespoke Christmas savings account** through our Halifax Christmas Saver scheme.

Our **innovative Lloyds TSB 'Save the Change' product** automatically rounds up debit card transactions to the nearest pound and places the balance in a savings account. 460,000 customers have saved over £30 million so far.

We have operated the largest and most proactive programme in the UK to **locate dormant account holders**. To date we have helped reunite customers with well over £30 million in dormant accounts.

SUPPORTING SMALL BUSINESSES IN DEPRIVED AREAS

Our **lending to small businesses** in the 5 per cent most deprived areas of the UK increased to £364 million in 2009.

By supporting small business in deprived areas we help **to generate economic activity** which leads to the generation of employment.

ACCESS TO AFFORDABLE CREDIT AND MICRO FINANCE

Across the Group, we operate **over 100 accounts** for credit unions.

We have a strong customer base amongst the not-for-profit sector, with more than **270,000 customers** banking with us.

ACCESS TO MONEY ADVICE

Lloyds TSB, Halifax and Bank of Scotland have **dedicated Customer Support and Money Management units** to provide specialist help to customers who are concerned about their financial situation.

In 2009 we **contributed more than £11.4 million to the free-to-customer financial advice sector**, including the Money Advice Trust and the Consumer Credit Counselling Service.

We have been the **only major UK bank to work with the FSA to pilot their Moneymadeclear guides**, which we now make available through all of our branches.

INCREASING FINANCIAL LITERACY AND FINANCIAL CAPABILITY

Working with the Consumer Financial Education Body, HM Treasury and skills providers in England, Wales, Scotland and Northern Ireland **we have committed £4 million to deliver a financial capability programme to benefit practitioners and learners in the Further Education sector**.

In 2009, the Lloyds TSB Foundations received £29 million from the Group to support their work in some of the most vulnerable communities in the UK. The Lloyds TSB Foundations currently fund a number of financial inclusion and financial capability projects.

ACCESS TO BANKING SERVICES

WE ARE PROUD TO BE THE LARGEST PROVIDER OF SOCIAL BANK ACCOUNTS IN THE UK.

Lloyds Banking Group has a long tradition of providing access to banking services.

We have been at the forefront of developing alternative forms of financial provision for people who find that mainstream banking facilities are inaccessible or inappropriate.

WORKING IN PARTNERSHIP WITH THE GOVERNMENT

The Government and Financial Inclusion Taskforce announced in October 2009 that the shared goal with industry to halve the number of adults living in households without access to a bank account had been achieved. It fell from 2 million in 2002/03 to less than 900,000 in 2007/08.

The Taskforce will be looking to make further progress in this area and we will support this important work.

OUR SUPPORT FOR THE POST OFFICE CARD ACCOUNT

We have invested heavily in building the capacity of the Post Office to offer a social banking facility. We have contributed £55 million over five years toward the cost of running the Post Office Card Account. The account is a basic account that allows state benefits to be paid directly into individual accounts. Unlike social banking accounts, it does not allow deposits or direct debits – but account holders can withdraw their benefits over the counter at any Post Office branch.

SOCIAL BANKING

Social bank accounts are a simple form of current account that customers can use to receive payments and to set up direct debits and standing orders. They offer basic money transmission facilities, but do not provide overdrafts or cheque books. They are open to anyone, regardless of credit rating, as long as they have not been convicted of fraud or declared bankrupt.

We are the biggest provider of social bank accounts in the UK. We have a 48 per cent share of all social bank accounts and a 30 per cent share of all new accounts opened in 2009.

We offer Easycash and Cardcash accounts under our Halifax and Bank of Scotland brands and Cash Accounts under our Lloyds TSB brand.

Social bank accounts enable customers to pay household bills by direct debit, which can save them money when compared with other methods of payment. Over time, as customers improve their credit ratings, we can help them move to a full facility current account. In 2009 we upgraded over 100,000 customers to full facility bank accounts. It is important that, as people's circumstances change, they are able to make use of mainstream services.

SOCIAL BANKING IN DEPRIVED AREAS

8.2 per cent of our social banking customers across the Group (almost 10 per cent in England) live in the 5 per cent most deprived areas in the UK. In total, 1.27 million of our bank account holders live in deprived areas.

Social banking data, as at December 2009

	Number of social bank accounts	Number of social bank accounts in deprived areas
England	2,999,998	294,458
Wales	148,748	10,530
Scotland	601,369	11,827
Northern Ireland	65,552	N/A
Not stated[1]	41,861	N/A
Total	**3,857,528**	**316,815**

[1] For some accounts, particularly those opened some years ago, customers were not required in the application process to state which of the home nations they live in.

UNLOCK

WORKING WITH REFORMED OFFENDERS

Halifax is working in partnership with the National Offender Management Service (NOMS) and UNLOCK, The National Association of Reformed Offenders to provide individuals leaving prison with access to banking facilities. Through the partnership, operating in three prisons, reformed offenders are provided with financial literacy training and help in opening a basic bank account. Previous work by NOMS and UNLOCK has shown that having access to banking facilities helps reformed offenders resettle back into the community and avoid reverting to crime.

GRAND CENTRAL SAVINGS

Grand Central Savings (GCS) is a Glasgow based charity that provides people who are financially and socially excluded, and who may not have access to high street banking, with a safe place to keep their money.

Lloyds Banking Group has supported GCS since its launch as part of the Big Issue Foundation in 2001. The Big Issue helps homeless people gain a source of income, but without having a bank account it is difficult for people to save. GCS changed that and now, almost a decade later as an independent charity, continues to provide an invaluable service to customers who often lack the right identification and confidence to open an account at a mainstream bank. GCS provides a safe place for their money and help with managing budgets. Once customers have a regular income and get used to managing an account, they can be supported in moving to a credit union or bank. Lloyds Banking Group hosts the bank accounts for GCS, as well as providing advice and guidance.

Over the years, GCS has expanded its service to provide a lifeline for people on benefits, pensioners, asylum seekers, immigrant workers and those with addictions or mental health issues, as well as homeless people. It regularly serves around 1,400 customers in Glasgow and, in April this year, opened a second branch in Greenock, Inverclyde where it already serves around 150 customers.

We are committed to supporting GCS as it expands its service to meet the financial needs of vulnerable and excluded people.

OFFERING A RANGE OF BANKING CHANNELS

WE OFFER OUR CUSTOMERS CONVENIENT AND ACCESSIBLE BANKING SERVICES.

We provide broad access to banking through a range of channels.

We have the largest free-to-use ATM network, with 6,900 ATMs across the UK.

We also have a partnership with the Post Office which gives our customers access to a further 12,000 Post Office counters.

OUR BRANCH NETWORK

We communicate face-to-face with many of our 30 million customers in our extensive branch network. We have the largest branch network in the UK with nearly 3,000 branches – almost a quarter of all bank branches in the country delivering over 180 million customer transactions a year.

We believe that branches will continue to be the main way in which our customers choose to conduct their business with us.

A strong branch network is in both our interest and our customers' as it enables us to focus on providing traditional customer service and advice to build deep and enduring relationships with customers.

MORE FREE WAYS TO ACCESS MONEY THAN ANY OTHER BANK

We have the largest free-to-use ATM network, with 6,900 ATMs across the UK, including 100 we have installed in areas of social deprivation that previously did not have free cash machines. It is very important for those on low incomes to be able to access their money without having to pay a fee.

Our customers can also manage their money through telephone and internet banking services.

More than 7.5 million of our customers bank online. Lloyds TSB was named the number one website in the Banks and Financial Institutions category for the 2009 Hitwise UK Online Performance Awards. This is the fifth consecutive year that Lloyds TSB has been awarded first place.

Lloyds TSB was also the first bank to launch a mobile phone banking service in 2008. This free service provides a range of services to help our customers manage their money.

For example, by signing-up for Limit Alerts, our customers are less likely to incur unplanned overdraft fees. At present, over 20,000 customers a month are signing-up for Limit Alerts.

In addition, customers can transfer money instantly between accounts and receive text alerts when overseas transactions have taken place on their accounts. We can also text customers their account balances for free, through our 'on demand' text message balance service.

BRINGING BRANCHES TO CUSTOMERS

We have been supporting around 40 of the most remote communities in Scotland since 1962 by providing Bank of Scotland mobile branches. The seven mobile branches offer a full banking service to business and personal customers in villages, schools, retirement homes and community groups. Our Bank of Scotland colleagues also make home visits to disabled customers who cannot gain entry to the van.

OUR POST OFFICE PARTNERSHIP

We were the first bank to partner with the UK Post Office, so that our customers can use around 12,000 Post Offices to do their banking free of charge.

The Post Office arrangement provides access for our basic bank account customers as well as all full facilities current account customers. This agreement is particularly valuable for customers in remote communities.

BANKING SERVICES FOR PEOPLE WITH DISABILITIES

We have made a number of adjustments to address our customers' individual needs, which fall into five broad categories.

Policies and procedures – we review and amend our policies and procedures as necessary, for example, making sure that our identification procedures take into account that a visually impaired customer may not hold a driving licence.

Alternative ways of providing a service – for example, we can provide statements and communications in an alternative format for visually impaired customers, in Braille, large print or on CD.

Providing auxiliary aids and services – we are the only bank to provide customers with the choice of using their keypads or voice recognition when using our telephone banking service. This means that our customers who have disabilities can do their banking by telephone more easily. We can also provide a technical aid such as an induction loop, or provide sign language interpreters for a meeting with a hearing impaired customer.

Making adjustments to buildings or physical features of buildings – we provide level or ramped access, lowered counters and ATMs wherever possible.

Colleague awareness – quite often it is the individual colleague who can be the key to a more inclusive service. For example, taking more time to explain a service to a customer who has a learning disability can make all the difference to that customer.

DISABILITY EXECUTIVE FORUM

In January 2010, Mark Fisher was appointed the Executive Sponsor for Disability within Lloyds Banking Group. As we have a large number of customers with disabilities, we want to improve their experience and meet their needs effectively. Mark has formed a Disability Executive Forum, which will develop and implement our programme on disability.

MEETING THE NEEDS OF OUR DIVERSE CUSTOMER BASE

With around 30 million personal customers and 800,000 business customers of all sizes, we have a diverse customer base. We aim to take the time to get to know our customers and provide a service that meets their different needs.

In January 2010, Angie Risley was appointed the Executive Sponsor for the Group's Race strategy. By taking action on race we:

- motivate and engage colleagues by creating an environment that values difference and fresh business ideas
- retain the loyalty of existing customers and discover untapped opportunities through a better understanding of the needs of new and prospective customers
- become an employer of choice
- create a positive public and community profile

Our combined brands' market share shows that Lloyds Banking Group holds more current accounts for ethnic minority customers than any other financial services company in the UK. A number of financial products have been introduced following direct feedback from our ethnic minority customers, such as our Islamic current account.

Also, Lloyds TSB Corporate Markets have sponsored a number of ethnic minority events including the Asian Jewel Awards and the Asian Women of Achievement awards for several years.

SUPPORTING BUSINESSES WHO WISH TO COMPLY WITH ISLAMIC LAW

In 2008, we were the first high street bank to offer Islamic Corporate and Commercial business accounts.

We are one of the few UK banks to provide business accounts that comply with Islamic law. Our Islamic Business Accounts give our business customers confidence that they are managing their banking in a Shariah approved way. These accounts do not pay or charge interest, and we do not earn any interest on customers' credit balances. No money held in these accounts is used for any interest-based or non-Shariah approved business activities.

ENCOURAGING SAVING FOR THE FUTURE

WE AIM TO MAKE SAVING AS ACCESSIBLE AS POSSIBLE TO THOSE WHO HAVE NOT PREVIOUSLY HAD ACCESS TO SAVING.

We encourage families of all incomes to save for the future with a wide range of savings products.

We are working very hard to keep our rates as competitive as possible.

We regularly invite our customers in for a savings review.

SUPPORTING SAVERS

We offer a competitive range of savings accounts and try to make it as easy as possible for our customers to get into a good habit with their savings. We also offer a choice of access where customers can operate their account such as in branches or over the telephone.

Our High Street brands are active in every section of the savings market, including ISAs, Instant Access, Children's Savings and longer term fixed rate products. We have introduced innovations in the savings market such as our unique Lloyds TSB 'Save the Change' product. By registering for Save the Change, whenever the customer spends using their visa debit card we round the spend up to the nearest £1 and transfer the difference to a nominated savings account the next day. Nearly half a million customers are saving this way.

GIVING OUR SAVINGS CUSTOMERS CLEAR INFORMATION

We write to all customers on an annual basis to update them on the amount of interest they have earned over the year. During 2011, all of the Group's main savings brands, including Lloyds TSB, Halifax, Bank of Scotland, Cheltenham & Gloucester and Birmingham Midshires will publish savings interest rates on customer statements.

We also work hard to keep our rates as competitive as possible for our existing customers, as well as our new ones and do not restrict existing customers from moving into new products.

HALIFAX CASH ISA PROMISE

In October 2010, Halifax launched the Cash ISA Promise, an industry leading move to address the key issues customers face during the lifetime of their cash ISA, such as losing the benefit of a better deal due to delays in the transfer process, lack of interest rate transparency and restricted access to 'best buy' deals for existing customers. The Cash ISA Promise enables all customers switching their existing cash ISA to Halifax, to earn interest from the first day their completed application form is received either in branch or by post. This means that customers switching to a better interest rate will not be disadvantaged by the time taken to transfer their cash ISA from their current provider.

ENCOURAGING SAVING FOR OUR SOCIAL BANKING CUSTOMERS

Halifax was the first major UK bank to offer a tailor-made Christmas Saver scheme for our social banking customers. Customers can save between £5 and £200 per month and at the end of the savings period, each October, customers are able to take out their savings in the form of either cash or vouchers.

REUNITING CUSTOMERS WITH THEIR 'FORGOTTEN FUNDS'

We have taken the lead in reuniting customers with money they have left in 'forgotten' accounts (accounts which have not been accessed for 15 years). We have operated the largest and most proactive programme in the UK to locate dormant account holders, reuniting well over £30 million, to date, with their rightful owners through our tailored campaign.

SUPPORTING SMALL BUSINESSES IN DEPRIVED AREAS

WE ARE COMMITTED TO PROVIDING SUPPORT FOR BUSINESSES IN EVERY AREA OF BRITAIN, INCLUDING DEPRIVED AREAS.

We support businesses from all sectors in the UK through our network of regional teams.

We have put in place a range of measures to ensure businesses are aware of the availability of funds.

Our dedicated Business Support Unit provides bespoke help to our business customers facing difficulty.

SUPPORTING SMALL BUSINESSES IN DEPRIVED AREAS

Small and medium-sized enterprises (SMEs) are fundamental to the economic recovery, and to tackling unemployment, itself one of the causes of financial exclusion.

We track and publish our lending to small businesses in deprived areas.

Our lending to small businesses in the 5 per cent most deprived areas of the UK increased to £364 million in 2009. We currently have over 28,000 small business customers, with a turnover of up to £1 million, in deprived areas across the UK. We lend more money to businesses in deprived areas than the industry average. Businesses in deprived areas benefited from 4.1 per cent of our lending, in terms of loans and overdrafts, in 2009, compared to an industry average of 3.9 per cent.

There are fewer businesses trading in deprived areas and businesses tend to be smaller than in other areas. This results in a lower demand for finance from businesses in these areas.

However, by helping to encourage enterprise through our branches and partnerships with CDFIs, we aim to support enterprise in deprived areas to help stimulate employment and regeneration.

OUR SME CHARTER

In November 2009, we launched our 2012 SME Charter, setting out a series of commitments that form a three-year programme of support for SMEs to help them grow as the recovery gains momentum. The Charter makes pledges with three key aims: to encourage enterprise, boost access to finance and provide clear and fairer pricing for customers. We have also pledged to help, encourage and support 300,000 new start-ups across the country by 2012.

We will be running 200 seminars nationwide every year for the next three years, providing expert guidance and support for up to 100,000 SMEs on starting up, employment, exporting, bidding for London 2012 contracts, sustainability and finance.

SUPPORTING PEOPLE WHO ARE SELF-EMPLOYED

We continue to support Business Debtline, part of the Money Advice Trust, to increase the quality and availability of free, independent money advice on debt and cash flow problems for people who are self-employed in the UK. We have supported the charity since its inception in 1991 and we promote its services in our customer literature.

OUR DEDICATED UNIT TO SUPPORT BUSINESSES

When our business customers face financial difficulty, wherever possible, we work to turn these businesses around and restore their financial stability so that they are able to return to mainstream banking. The Unit conducts an in-depth analysis of where things have gone wrong and then develops a tailored solution with the customer. Measures include providing finance to maintain cash flow; management advice on how to improve business performance; and capital restructuring.

This approach is a critical part of our support for businesses through the economic cycle.

SUPPORTING BUSINESSES THROUGHOUT THE RECESSION

Delima, a North East-based independent fashion retailer which operates 18 stores under the trading names of Van Mildert, Box Clothing and Tucci, suffered a fall in trade in 2007 and 2008 as consumer spending dropped and the UK slipped into recession. In March 2009, when Tucci's other business partners backed out of the enterprise, the company had to fully incorporate the business as part of Delima. The move saved 70 jobs and four stores but meant that Delima needed to quickly restructure to manage the enlarged group, as well as refocus its business plan to reflect the changed economic environment. Lloyds TSB's specialist team worked closely with Delima so that it was able to access the guidance and working capital facilities it needed, helping it to refocus its offering and restructure operations.

Sue Sparrow, Relationship Manager for Lloyds TSB said "Delima is a well-run company and its solid business plan and pricing strategy ensured it grew steadily over a period of two decades.

However, due to the pressures of the wider economic environment and the unforeseen acquisition of the previously part-owned Tucci brand, the company was put in a challenging position.

By building a strong relationship with Delima and through regular dialogue, we've worked together to navigate the company through this period of change."

Now, Delima is recording a 15 per cent increase on like-for-like sales compared to last year and is set to open three new stores this year.

"Lloyds TSB's support has been invaluable over the past 12 months.

Sue quickly understood our business and our ambitions and is always on hand when we need her. She believed in the business from the beginning and gave us the confidence to make some difficult decisions.

We're now seeing a real turnaround in trading and we're keen to capitalise on the new opportunities the improving economic conditions are expected to bring."

Ken Campling, Group Accountant at Delima.

WE WILL BE RUNNING 200 SEMINARS NATIONWIDE EVERY YEAR FOR THE NEXT THREE YEARS, PROVIDING EXPERT GUIDANCE AND SUPPORT FOR UP TO 100,000 SMES.

ACCESS TO AFFORDABLE CREDIT AND MICRO FINANCE

WE MAKE A SIGNIFICANT CONTRIBUTION TO COMMUNITY FINANCE INITIATIVES AND CREDIT UNIONS WHICH OFFER SMALL AMOUNTS OF CREDIT THAT CUSTOMERS WOULD OTHERWISE BE UNABLE TO OBTAIN.

We have a strong customer base amongst the not-for-profit sector, with more than 270,000 customers.

Across the Group we operate over 100 accounts for credit unions.

ACCESS TO FINANCE

Many individuals and organisations are able to access the credit they need through the mainstream banking sector. However, for those who may not be able to do so, we make a significant contribution to community finance initiatives and credit unions.

COMMUNITY DEVELOPMENT FINANCE INSTITUTIONS (CDFIs)

We support Community Development Finance Institutions (CDFIs), such as the South Coast Moneyline (see below). CDFIs are not-for-profit organisations which provide lending and investment facilities at competitive rates in disadvantaged communities.

South Coast moneyline

SOUTH COAST MONEYLINE

Lloyds TSB has supported South Coast Moneyline, a Community Development Finance Institution (CDFI), since its launch ten years ago. In 2000, we partnered with Portsmouth Housing Association to launch the first CDFI of its type in the UK, providing affordable personal and micro-enterprise loans to people in Portsmouth and its surrounding communities. Lloyds TSB provided expertise, start-up finance and office space to South Coast Moneyline.

South Coast Moneyline is currently focusing on providing home improvement loans for people who have assets, but not cash. Their Home Trust Loan is a secured, fixed rate product that helps people to improve, repair or adapt their properties. Since July 2000, South Coast Moneyline has granted more than 4,000 loans to local people, to the value of £3 million.

SUPPORTING THE FUTURE OF THE SECTOR

We have sponsored several research projects looking into the long-term sustainability of community finance and ways in which the sector can be effective in reaching more people.

These include research by the Community Development Finance Association, to explore different organisational models and their effectiveness. Lloyds TSB has also sponsored research by Salford University into the sustainability of the community finance sector.

Academics recommended that community finance organisations adopt a more commercial approach, and the development of more bank-like systems.

OUR PARTNERSHIP WITH EAST LONDON SMALL BUSINESS CENTRE

East London Small Business Centre (ELSBC) was set up over 30 years ago to tackle unemployment in marginalised communities in east London. ELSBC provides both finance and expertise to micro-enterprises and small businesses to create jobs and prosperity. Since its inception, over 10,000 people have been helped in gaining financial independence through enterprise. Last year, ELSBC supported over 300 new business start-ups, creating over 400 jobs as a result.

Lloyds TSB has worked in close partnership with ELSBC for over 10 years, providing expertise, practical support and sponsorship towards running costs. We believe we provide significantly more support to ELSBC than any other bank.

We work closely with the ELSBC which includes sitting on their loan panels where we assess loan applications they receive from local start-ups and existing businesses. If a loan is approved, ELSBC draws on its funds to finance it. We have assisted clients by working with the ELSBC to provide matched funding, subject to our normal credit parameters, to ensure the client has the amount required. This partnership is based on trust, and on the premise that we work together with ELSBC to coach businesses to achieve success. We also support ELSBC's business training courses by providing a Q&A session to clients. Last year, over 1,000 people attended their business training course.

PROVIDING MORE THAN LOANS

We demonstrate our support for the sector beyond providing funding. We share our advice and expertise, helping us to build strong relationships with organisations, including social housing agencies and enterprise agencies and help them grow.

Our support for the sector also includes the provision of technology to enable credit unions to setup online accounts for their members. Enabling this access makes a significant contribution to credit unions as it improves their operational efficiency and so makes them more viable.

SUPPORTING NOT FOR PROFIT ORGANISATIONS AND SOCIAL ENTERPRISES

We have an important role to play in providing banking facilities for charities, educational and not for profit organisations. These are the lifeblood of many local communities and we are committed to supporting them.

Our dedicated not for profit and charity banking team specialises in understanding organisations' priorities, finances and challenges: such as irregular cash flows and unreliable income sources. All our charity and not for profit customers benefit from this kind of experience as well as direct access to a support team specialising in finance for the sector. Through our focus on building strong relationships with these customers, and providing advice and help that they need, we can help to support their success and growth.

Our new banking initiatives for the not for profit sector won two of the industry's most prestigious awards. 'Best Charity Account Provider' and 'Most Innovative Product' for our Bank of Scotland Interest First Account – an account which offers an advance payment of up to 12 months' interest, at a guaranteed fixed rate.

In addition, we support small not for profit organisations with a turnover of up to £50,000 with free transactional banking. Clubs and charities with an income of over £50,000 a year, benefit from 18 months free day-to-day banking. We also encourage giving time and resources to these groups, and use the local knowledge of our colleagues to identify where our efforts can make the biggest difference in a particular community.

COLLEAGUES HELP TO OPEN BANK 'BRANCH' IN GHANA

The people of Mankessim, Ghana, are now benefiting from a new branch of Opportunity International Savings and Loans Ltd. Built entirely by funds raised by colleagues in the Group's Wholesale Division, the branch is providing new-found financial security to thousands of families in the region.

Three years ago Wholesale Division announced a long-term partnership with the charity Opportunity International. This pioneering charity is dedicated to providing financial services to some of the poorest communities in the world.

Opportunity International is a global leader in the provision of micro finance services that allow customers to develop small businesses in a way that fosters economic and social growth in their communities.

As well as financial support, our colleagues have also been able to provide the charity with their skills and expertise – making this an ideal partnership.

ACCESS TO MONEY ADVICE

WE RECOGNISE THAT WE ARE ONE OF THE MOST IMPORTANT SOURCES OF FINANCIAL INFORMATION AND ADVICE FOR OUR CUSTOMERS.

Through our websites, branches and product literature we strive to make financial guidance and advice easy to access and understand.

Our bank managers have all received specialist training to enable them to help customers in financial difficulty.

HELPING CUSTOMERS UNDERSTAND OUR PRODUCTS

Each year we spend millions of pounds on support material to help customers understand financial products.

Through our Halifax, Bank of Scotland and Lloyds TSB websites we offer advice and guidance on managing money, explanations of financial jargon, online calculators and debt advice. The Lloyds TSB Advice & Guidance website, launched in March 2010 received 50,000 views in the first week. The website includes a Savvy Student section which covers student banking, school leavers, top money tips, accommodation, finances after university and a parents' guide.

We have trained over 6,500 Financial Health Specialists in our Lloyds TSB branches and over 3,000 Banking Advisors in Halifax and Bank of Scotland branches to help customers with budgeting and managing their money better.

Throughout 2010 we are training all frontline telephony agents in Lloyds TSB, Halifax and Bank of Scotland to help customers recognise financial difficulties and pro-actively resolve any issues they may be facing.

We have led the industry in making customer communication easier to understand. We have extended summary boxes to our marketing literature and on a wide range of product information such as customers' credit card statements. These boxes give a clear summary of important information like product features, benefits, risks and commitments.

HELPING CUSTOMERS MANAGE THEIR BORROWING

We aim to ensure that we do not lend money to customers who cannot afford to repay. This prudent approach means that the vast majority of our customers do not encounter any financial difficulty.

We actively encourage borrowers who are facing financial difficulty to contact us at the earliest possible opportunity. This ensures that we are able to work with them to find the best possible resolution.

Lloyds TSB, Halifax and Bank of Scotland have dedicated Customer Support and Money Management units to provide specialist help to customers who are concerned about their financial situation. We have an ongoing programme to train colleagues to provide guidance and support to customers on managing their borrowing. We try to help customers find an appropriate solution, either through more effective budgeting, or by rescheduling their borrowing with us. We proactively identify 'at risk' credit card and loan customers in excess of their agreed facility, ahead of arrears occurring and have implemented a programme to help prevent these customers from falling into arrears. This programme includes budgetary guidance and one-off payment holidays.

In 2009 we handled over a million calls with customers in difficulty.

BREATHING SPACE INITIATIVE

The Breathing Space Initiative was launched by the credit card industry at the end of 2008 for customers struggling to make repayments on their credit cards. Under this initiative, we do not contact customers for up to 60 days to collect payments if they are being helped by debt advice companies, such as the Consumer Credit Counselling Service and Payplan.

We offer 'Breathing Space' for all unsecured products – not just credit cards. This gives customers time to implement repayment plans, with the help of debt advice organisations. The vast majority of plans are resolved in the first 30 days.

OUR SUPPORT FOR INDEPENDENT MONEY ADVICE AGENCIES

Where appropriate, we refer customers to free and independent money advice organisations. We also support independent money advice networks. In 2009 we contributed more than £11.4 million to the free-to-customer financial advice sector, including the Money Advice Trust and the Consumer Credit Counselling Service.

HELPING COLLEAGUES

Simple information, guidance and, often, education, is important so that consumers feel comfortable and confident in dealing with finance. This starts with our own colleagues. For example, our 'Helping Hand' team, which works to improve support for customers in financial difficulty, has delivered training and produced toolkits to support colleagues internally, so that customers' needs can be comprehensively reviewed when needed. They have also worked with product teams on changes which affect basic banking products; including reviewing the processes we use to deliver basic bank accounts to customers to ensure that these are appropriate and accessible for people currently without bank accounts.

In 2010, we will develop a concentrated range of activities to promote awareness of the Helping Hand programme for both colleagues and customers.

IN 2009 WE CONTRIBUTED MORE THAN £11.4 MILLION TO THE FREE-TO-CUSTOMER FINANCIAL ADVICE SECTOR.

INCREASING FINANCIAL LITERACY AND FINANCIAL CAPABILITY

WE TAKE SERIOUSLY OUR RESPONSIBILITY TO DO MORE TO RAISE THE LEVELS OF GENERAL FINANCIAL UNDERSTANDING ACROSS THE COMMUNITIES WE SERVE.

We are working closely with Government, the FSA and other stakeholders to improve financial capability across the UK.

We have committed £4 million to an innovative financial capability programme.

DELIVERING CONSUMER FINANCIAL EDUCATION

We have provided expertise to the FSA to help develop their strategy for financial capability, which is financed through a levy on the financial sector.

We were the only major UK bank to work with the FSA to pilot their Moneymadeclear guides and we now make them available through all our branches. These guides form part of a range of initiatives designed to help consumers manage their money, keep track of their finances, plan ahead, make informed decisions about financial products and stay up to date about financial matters. The Moneymadeclear money guidance service is now being rolled-out across the UK, to provide consumers with impartial information and tools for managing money.

We are supporting the Government's Financial Inclusion Taskforce with insights and data we gain from our significant market share of social bank accounts. The Government announced that its target of halving the number of unbanked adults in the UK had been met in late 2009. We are now helping the Taskforce to understand the financial behaviour of vulnerable customers, who are now banked and deemed to be 'financially included'.

£4 MILLION FUNDING FOR AN INNOVATIVE FINANCIAL CAPABILITY PROGRAMME

As one of the UK's leading financial services companies, we consider it to be part of our responsibility to tackle financial exclusion and to support improvements in financial capability across the country.

To help ensure our work in this area provides support to some of the most hard to reach groups, we have committed £4 million to an innovative financial capability programme in the further education sector.

Further education providers across the UK serve over 3 million full-time and part-time learners who range in age from school leavers to retirees; come from a wide range of socio-economic backgrounds; and have differing and sometimes complex learning needs.

Further education providers are vital hubs of their local communities. They offer learners and employers an array of vocational training and academic qualifications. They also offer opportunities for recreational and life-skills learning. Providers fall into three broad categories: colleges, adult and community learning and work-based learning.

Financial and personal money management skills are an essential ingredient in preparing these learners for either moving to higher education (39 per cent of entrants come from colleges) or entering the world of work confident and financially capable.

Working together with the Consumer Financial Education Body (CFEB), and partner organisations in England, Wales, Scotland and Northern Ireland the funding will help build the financial capability of both practitioners and learners across the Further Education sector.

SUPPORT FOR CHARITIES DELIVERING FINANCIAL LITERACY AND FINANCIAL CAPABILITY PROJECTS THROUGH THE LLOYDS TSB FOUNDATIONS

We actively support grass roots charities across the UK through the Lloyds TSB Foundations, which cover England and Wales, Scotland, Northern Ireland and the Channel Islands. In 2009, the Lloyds TSB Foundations received £29 million from the Group to support their work in some of the most vulnerable communities in the UK.

The Lloyds TSB Foundations have funded a number of financial inclusion and financial capability projects, including grants for Citizens Advice Bureaux (CAB) in England, Wales, Scotland, Northern Ireland and the Channel Islands, to support their work in providing advice and information to disadvantaged people.

MUSEUM ON THE MOUND

We have used the rich and varied collections at the Group's Museum to present money as a fascinating inter-disciplinary topic for schools making strong links to financial understanding, financial competence, financial responsibility and financial enterprise.

We have consulted widely with teachers and other education professionals to deliver a schools' service which closely supports the Curriculum for Excellence. It complements existing resources for financial education, and allows pupils to explore money in its broadest sense.

Alongside a school visits programme to the Museum, a classroom resource is currently being developed with the support of Learning & Teaching Scotland. The resource will take the form of an interactive CD and will be based on the activities offered to schools visiting the Museum. It will be distributed to every school in Scotland by the end of 2010.

Located in the heart of Edinburgh's city centre, in the Group's flagship Scottish office on the Mound, our free-entry Museum has been visited by over 5,000 pupils since it opened in September 2006.

ADVOCACY IN WIRRAL

The Lloyds TSB Foundation for England and Wales has invested £20,000 over two years in Advocacy in Wirral, to provide support to people with mental health issues so that they can manage their finances and deal with debts.

Research by the Mental Health Foundation found that inability to manage personal finances can directly lead to individuals experiencing mental health problems, and that personal debt can significantly exacerbate existing mental health problems.

The project will support 500 individuals each year to address issues of personal debt, and to develop the skills and confidence required to manage their personal finances effectively. It will also support the training of two peer mentors.

THE LINK COMMUNITY ASSOCIATION

The LTSB Foundation for Northern Ireland funded the Link Community Association with a grant of £5,000 in 2009. The Link Community Association provides a professional welfare and benefit advice service; including training and education courses for computer literacy and information technology qualifications, essential skills training, stress management and child protection. The Association provides facilities and assistance to six local organisations including a women's group, pensioners' group and residents' group.

The Foundation's funding has helped support the Association's advisors to allow them extra hours to deal with the additional debt and money management queries that they are receiving. The funding also allowed volunteer advisors to attend further NVQ training and have their childcare costs covered while they were training. This helps ensure the ongoing sustainability of the Association and increase its advice capacity within the service.

OUR COMMITMENTS: FUTURE PRIORITIES

IN 2011, WE WILL ESTABLISH A LLOYDS BANKING GROUP FINANCIAL INCLUSION STEERING GROUP TO STRENGTHEN OUR STRATEGIC APPROACH TO FINANCIAL INCLUSION.

MORE SPECIFICALLY WE WILL PROVIDE:

EDUCATION

by supporting communities, in partnership with schools and other educational institutions in the delivery of financial education in the curriculum.

by providing financial awareness **training and development** for more colleagues.

SUITABLE PRODUCTS

by promoting the **upgrading of social banking customers** to full facility accounts.

INCREASED AND MORE TARGETED TRANSPARENCY

by **publishing savings interest rates on customer statements** across all of the Group's main savings brands, including Lloyds TSB, Halifax, Bank of Scotland, Cheltenham & Gloucester and Birmingham Midshires in 2011.

PRACTICAL AND MEANINGFUL ACCESS

by maintaining the **largest branch network in the UK**.

by maintaining the **largest free-to-use ATM network in the UK**.

SUPPORT

by seeking to **build on our work with credit unions**.

by **running 200 seminars nationwide every year** for the next three years, providing expert guidance and support for up to 100,000 SMEs on starting up, employment, exporting, bidding for London 2012 contracts, sustainability and finance.

by maintaining our Lloyds TSB, Halifax and Bank of Scotland **dedicated Customer Support and Money Management units** which provide specialist help to customers who are concerned about their financial situation.

by **participating in the Government Industry Taskforce on business finance**, which is coordinating a banking industry response to the Government Green Paper on improving access to finance for businesses.

RESOURCES

LLOYDS BANKING GROUP RESOURCES

2012 Business Charter
www.bankofscotlandbusiness.co.uk/business-guidance/2012-business-charter/

Bank of Scotland
www.bankofscotland.co.uk

Halifax
www.halifax.co.uk

Lloyds Banking Group
www.lloydsbankinggroup.com

Lloyds Banking Group 2009 Corporate Responsibility Report
www.lloydsbankinggroup-cr.com

Lloyds TSB
www.lloydstsb.com

Lloyds TSB Advice and Guidance
www.lloydstsb.com/advice_and_guidance/advice_and_guidance.asp

OTHER RESOURCES

British Bankers' Association
www.bba.org.uk

Citizens Advice
www.citizensadvice.org.uk

Consumer Credit Counselling Service
www.cccs.co.uk

Consumer Financial Education Body
www.cfebuk.org.uk

FSA Moneymadeclear website
www.moneymadeclear.fsa.gov.uk

HM Treasury
www.hm-treasury.gov.uk

Money Advice Trust
www.moneyadvicetrust.org

National Debtline
www.nationaldebtline.co.uk

ABOUT THIS REPORT

Published in November 2010, this is our first Financial Inclusion Report as Lloyds Banking Group.

It sets out Lloyds Banking Group's financial inclusion activities and our future agenda.

We are highlighting a range of priorities and will monitor progress in achieving these.

Progress will be reported annually in future Financial Inclusion Reports.

We welcome any comments about this report and our approach to financial inclusion.

Please contact us with any comments at:

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You can also write to us at:

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