

Lloyds Banking Group plc
Form 6-K
November 21, 2011

Q3 2011 Interim Management Statement

Lloyds Banking Group plc

6-K

(21 November 2011)

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16
OF THE SECURITIES EXCHANGE ACT OF 1934

21 NOVEMBER 2011

LLOYDS BANKING GROUP plc

(Translation of registrant's name into English)

25 Gresham Street
London
EC2V 7HN
United Kingdom

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F S Form 40-F £

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes £ No S

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

This report on Form 6-K shall be deemed incorporated by reference into the company's Registration Statement on Form F-3 (File Nos. 333-167844; 333-167844-01) and to be a part thereof from the date on which this report is filed, to the extent not superseded by documents or reports subsequently filed or furnished.

EXPLANATORY NOTE

This report on Form 6-K contains a trading update for Lloyds Banking Group plc, which includes the unaudited consolidated interim results for the nine months ended 30 September 2011, and is being incorporated by reference into the Registration Statement with File Nos. 333-167844 and 333-167844-01.

LLOYDS BANKING GROUP PLC

BASIS OF PRESENTATION

This report covers the results of Lloyds Banking Group plc (the Company) together with its subsidiaries (the Group) for the nine months ended 30 September 2011. The Group's results for the nine months ended 30 September 2011 included in this document, which is incorporated by reference into the Company's Form F-3 shelf registration statement, do not include amounts already recognised in the Group's income statement for the year ended 31 December 2010 included in the Group's Annual Report on Form 20-F for the year ended 31 December 2010. As discussed in greater detail in note 59 on page F-124 of the audited consolidated financial statements included in the Group's Annual Report on Form 20-F for the year ended 31 December 2010, the Group made a provision of £3,200 million in connection with the sale of payment protection insurance following a UK High Court judgment handed down on 20 April 2011, subsequent discussions with the FSA and analyses prepared by the Group.

Statutory (IFRS) basis

Statutory results are set out on pages 4 and 5 and discussed on pages 6 to 8. However, a number of factors have had a significant effect on the comparability of the Group's financial position and results (these are detailed under Combined businesses basis below).

Combined businesses basis

In order to provide more meaningful and relevant comparatives, the results of the Group are presented on a 'combined businesses' basis. The key principles adopted in the preparation of the combined businesses basis of reporting are described below.

- In order to reflect the impact of the acquisition of HBOS, the amortisation of purchased intangible assets has been excluded; and the unwind of acquisition-related fair value adjustments is shown on one line in the combined businesses income statement.
- In order to better present the business performance the following items, not related to acquisition accounting, have also been excluded:
 - integration, simplification and EU mandated retail business disposal costs;
 - volatility arising in insurance businesses;
 - insurance gross-up;
 - provision in relation to German insurance business litigation; and
 - curtailment gains and losses in respect of the Group's defined benefit pension schemes.

Unless otherwise stated income statement commentaries throughout this document compare the nine months to 30 September 2011 to the nine months to 30 September 2010, and the balance sheet analysis compares the Group balance sheet as at 30 September 2011 to the Group balance sheet as at 31 December 2010.

LLOYDS BANKING GROUP PLC

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, as well as the ability to integrate successfully the acquisition of HBOS; 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; 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 such 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.

LLOYDS BANKING GROUP PLC

NINE MONTHS ENDED 30 SEPTEMBER 2011: KEY HIGHLIGHTS

FURTHER PROGRESS IN REDUCING THE GROUP'S RISK

- Customer relationship deposits (excluding repos) have increased 4 per cent since the end of 2010.
- Improved loan to deposit ratio of 140 per cent (31 December 2010: 154 per cent).
- Strong progress against term funding objectives with £30.6 billion of wholesale term issuance as at the end of September 2011, including £5.4 billion in the third quarter of 2011 despite challenging market conditions. In October an additional £3 billion of term funding was issued and as a result the Group's 2011 term funding programme is now complete.
- Total wholesale funding now £281.9 billion, down 5 per cent on 30 June 2011.
- Maturity profile of wholesale funding maintained, with 50 per cent having a maturity date greater than one year.
- Robust core tier 1 capital ratio of 10.3 per cent, improved since 30 June 2011 and 31 December 2010.

TRADING PERFORMANCE – STATUTORY

- Statutory loss before tax of £658 million (first nine months of 2010: profit of £1,967 million).

TRADING PERFORMANCE – COMBINED BUSINESSES

- Combined businesses profit before tax of £1,748 million for the first nine months of the year.
- Total income (before volatility effects, the impact of liability management exercises and net losses on asset sales) decreased by 9 per cent, reflecting subdued lending demand, continued customer deleveraging and a lower banking net interest margin.
- Banking net interest margin down slightly at 2.10 per cent year-to-date (first half of 2011: 2.12 per cent; first nine months of 2010: 2.20 per cent) with increased funding costs partially offset by the benefit of asset repricing and funding mix.
- Operating expenses down 3 per cent. Further gains from integration and lower operating lease depreciation were partly offset by increased employers' National Insurance contributions, inflation and other costs.
- The integration programme is nearing completion and the Group's focus is now on implementing the strategic review initiatives, including simplification.
- Significant reduction in impairment charge to £7,378 million for the first nine months of 2011 (first nine months of 2010: £9,426 million) with improvements seen across all divisions, particularly Wholesale; representing 1.61 per cent of average advances (nine months to 30 September 2010: 1.92 per cent).

CAPITAL AND BALANCE SHEET

| | As at 30 Sept 2011 | As at 31 Dec 2010 |
|--|--------------------------|-------------------------|
| Loans and advances to customers excl reverse repos 1 | £557.4bn | £589.5bn |
| Customer deposits excl repos 2 | £396.8bn | £382.5bn |
| Loan to deposit ratio 1,2 | 140% | 154% |
| Risk-weighted assets | £371.6bn | £406.4bn |
| Wholesale funding | £281.9bn | £298.0bn |
| Wholesale funding >1 year maturity | 50% | 50% |
| Core tier 1 capital ratio | 10.3% | 9.6% |
| Net tangible assets per share | 58.3p | 55.8p |

1 Excludes reverse repos of £20.5 billion (31 December 2010: £3.1 billion).

2 Excludes repos of £7.8 billion (31 December 2010: £11.1 billion).

LLOYDS BANKING GROUP PLC

STATUTORY (IFRS) CONSOLIDATED INCOME STATEMENT (UNAUDITED)

| | Nine months ended 30 Sept 2011 £ million | Nine months ended 30 Sept 2010 £ million |
|---|---|---|
| Interest and similar income | 20,308 | 21,699 |
| Interest and similar expense | (10,375) | (12,303) |
| Net interest income | 9,933 | 9,396 |
| Fee and commission income | 3,292 | 3,381 |
| Fee and commission expense | (1,116) | (1,282) |
| Net fee and commission income | 2,176 | 2,099 |
| Net trading income | (5,732) | 9,725 |
| Insurance premium income | 6,187 | 6,166 |
| Other operating income | 1,703 | 3,161 |
| Other income | 4,334 | 21,151 |
| Total income | 14,267 | 30,547 |
| Insurance claims | 843 | (11,616) |
| Total income, net of insurance claims | 15,110 | 18,931 |
| Operating expenses | (9,772) | (9,131) |
| Trading surplus | 5,338 | 9,800 |
| Impairment | (6,017) | (7,734) |
| Share of results of joint ventures and associates | 21 | (99) |
| (Loss) profit before tax | (658) | 1,967 |
| Taxation | 215 | (367) |
| (Loss) profit for the period | (443) | 1,600 |
| Profit attributable to non-controlling interests | 45 | 77 |
| (Loss) profit attributable to equity shareholders | (488) | 1,523 |
| (Loss) profit for the period | (443) | 1,600 |
| Basic earnings per share | (0.7)p | 2.3p |
| Diluted earnings per share | (0.7)p | 2.3p |

LLOYDS BANKING GROUP PLC

SUMMARY STATUTORY (IFRS) CONSOLIDATED BALANCE SHEET (UNAUDITED)

| | As at 30 Sept 2011 £ million | As at 31 Dec 2010 £ million | As at 30 June 2011 £ million |
|--|---------------------------------------|--------------------------------------|---------------------------------------|
| Assets | | | |
| Cash and balances at central banks | 57,578 | 38,115 | 55,240 |
| Trading and other financial assets at fair value through profit or loss | 143,886 | 156,191 | 155,181 |
| Derivative financial instruments | 66,272 | 50,777 | 45,256 |
| Loans and receivables: | | | |
| Loans and advances to customers | 577,864 | 592,597 | 587,843 |
| Loans and advances to banks | 29,933 | 30,272 | 28,170 |
| Debt securities | 14,211 | 25,735 | 15,521 |
| | 622,008 | 648,604 | 631,534 |
| Available-for-sale financial assets | 36,317 | 42,955 | 32,793 |
| Held-to-maturity investments | 8,049 | 7,905 | 7,842 |
| Other assets | 49,971 | 47,891 | 51,105 |
| Total assets | 984,081 | 992,438 | 978,951 |
| Liabilities | | | |
| Deposits from banks | 36,121 | 50,363 | 31,294 |
| Customer deposits | 404,604 | 393,633 | 399,919 |
| Trading and other financial liabilities at fair value through profit or loss | 28,629 | 26,762 | 27,290 |
| Derivative financial instruments | 55,603 | 42,158 | 36,049 |
| Debt securities in issue | 213,957 | 228,866 | 231,194 |
| Liabilities arising from insurance and investment contracts | 124,022 | 132,092 | 133,097 |
| Subordinated liabilities | 36,452 | 36,232 | 35,585 |
| Other liabilities | 38,368 | 37,766 | 38,977 |
| Total liabilities | 937,756 | 947,872 | 933,405 |
| Total equity | 46,325 | 44,566 | 45,546 |

LLOYDS BANKING GROUP PLC

STATUTORY (IFRS) PERFORMANCE (UNAUDITED)

The Group recorded a loss before tax of £658 million for the nine months to 30 September 2011 compared to a profit before tax of £1,967 million for the nine months to 30 September 2010, largely due to the non-repetition of the pension curtailment gain of £1,019 million recorded in the nine months to 30 September 2010 and adverse market volatility.

Total income net of insurance claims decreased by £3,821 million to £15,110 million for the nine months to 30 September 2011 from £18,931 million in the nine months to 30 September 2010.

Net interest income increased by £537 million to £9,933 million in the nine months to 30 September 2011 compared to £9,396 million in the same period in 2010. Net interest margins within the banking operations fell, reflecting increased wholesale funding costs, including the effect of refinancing a significant amount of government and central bank facilities, and strong deposit growth in an increasingly competitive market; however this impact was more than offset by the benefit of an income statement credit relating to the amounts allocated to unit holders in those Open-Ended Investment Companies included in the consolidated results of the Group (although, since these are policyholder items, there is no impact on profit attributable to shareholders).

Other income decreased by £16,817 million to £4,334 million in the nine months to 30 September 2011, compared to £21,151 million in the same period in 2010, largely due to a £15,457 million reduction in net trading income, which was driven by the impact of market conditions on the policyholder assets within the Group's insurance businesses, relative to the nine months to 30 September 2010. These market movements are largely offset in the Group's income statement by a £12,459 million reduction in the insurance claims expense, to a credit of £843 million in the nine months to 30 September 2011 compared to an expense of £11,616 million in the nine months to 30 September 2010, and the credit within net interest income in respect of amounts allocated to unit holders in Open-Ended Investment Companies. Net trading income within the Group's banking operations was also reduced as a result of unfavourable market conditions, including a charge of £410 million (nine months to 30 September 2010: £1 million) for the net of debit and credit valuation adjustments reflecting movements in credit risk on derivative balances, although there was a benefit from mark-to-market gains of £254 million arising from the equity conversion feature of the Group's Enhanced Capital Notes, compared to losses of £309 million in the nine months to 30 September 2010. There were modest increases in net fee and commission income and in insurance premium income, however other operating income was £1,458 million lower at £1,703 million in the nine months to 30 September 2011 compared to £3,161 million in the nine months to 30 September 2010; this reflects the absence of gains on capital transactions in 2011 (gains of £423 million were recorded in the nine months to 30 September 2010), lower levels of operating lease income as the Group reduces its portfolio, and a decrease in the income arising from the movement in the value of in-force insurance business.

Total operating expenses increased by £641 million to £9,772 million in the nine months to 30 September 2011 compared to £9,131 million in the nine months to 30 September 2010; this increase reflected the non-repetition of the pension curtailment gain of £1,019 million recorded in the nine months to 30 September 2010. Excluding the pension curtailment gain, operating expenses decreased by £378 million to £9,772 million in the nine months to 30 September 2011 compared to £10,150 million in the nine months to 30 September 2010, reflecting continuing cost synergies arising from the combination of the Lloyds TSB and HBOS businesses, lower levels of operating lease depreciation as the Group reduces its portfolio and a reduction of £137 million in the charge for impairment of tangible fixed assets; partly offset by a charge of £175 million for a provision in relation to German insurance business litigation (see page 15).

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STATUTORY (IFRS) PERFORMANCE (UNAUDITED) (continued)

Impairment losses decreased by £1,717 million to £6,017 million in the nine months to 30 September 2011 compared to £7,734 million in the nine months to 30 September 2010. Within Retail, the secured impairment charge increased as it continued to be impacted by downward house price movements; however this was more than offset by a reduction in the unsecured impairment charge reflecting continued improving business quality and portfolio trends, with a focus on lending to existing customers. The Wholesale impairment charge fell as a result of lower impairment from the corporate real estate and real estate-related asset portfolios, continued strong risk management and the low interest rate environment helping to maintain defaults at a lower level; partly offset by subdued UK economic conditions. In Wealth and International, there was an increase in charges against the Irish portfolio; during the first nine months of 2011 a further £2.9 billion of the Irish loan portfolio became impaired, resulting in 67 per cent of the total Irish portfolio now being impaired. In Australasia, although economic performance has been robust overall, the Group's portfolio has significant geographical and sector concentrations which are being closely monitored.

The tax credit for the nine months to 30 September 2011 was £215 million. This reflects a higher effective tax rate than the UK statutory rate primarily due to the recognition of deferred tax on losses previously unrecognised and a policyholder tax credit, partly offset by the effect on deferred tax of the reduction in the UK corporation tax rate to 26 per cent with effect from 1 April 2011 and to 25 per cent with effect from 1 April 2012.

On the balance sheet, total assets were £8,357 million, or 1 per cent, lower at £984,081 million at 30 September 2011, compared to £992,438 million at 31 December 2010, reflecting the continuing disposal of assets which are outside of the Group's appetite, customer deleveraging and de-risking and subdued demand in lending markets. Loans and advances to customers decreased by £14,733 million, or 2 per cent, from £592,597 million at 31 December 2010 to £577,864 million at 30 September 2011; debt securities held as loans and receivables decreased by £11,524 million, or 45 per cent, from £25,735 million at 31 December 2010 to £14,211 million at 30 September 2011. However, cash and balances at central banks were £19,463 million higher at £57,578 million at 30 September 2011 compared to £38,115 million at 31 December 2010, as the Group has taken advantage of favourable opportunities for the placement of funds, and derivative balances were £15,495 million higher at £66,272 million at 30 September 2011 compared to £50,777 million at 31 December 2010 reflecting market movements.

The Group made progress against its funding objectives in the first nine months of 2011 and further enhanced its general funding and liquidity position which is supported by a robust and stable customer deposit base. Customer deposits excluding repos increased by 4 per cent, reflecting growth in relationship deposits in Retail and in Wealth and International.

By the end of the third quarter of 2011, the loan to deposit ratio, excluding repos and reverse repos, had improved to 140 per cent. Term issuance in the first nine months of 2011 has also allowed the Group to reduce its short-term wholesale funding and maintain its maturity profile of wholesale funding with 50 per cent of wholesale funding having a maturity date greater than one year at 30 September 2011.

Though funding markets remain challenging the Group made progress in the third quarter of 2011 on its term funding issuance plans with £5.4 billion of wholesale term issuance, having achieved over £25 billion of term issuance in the first half of the year. The Group previously announced that it expected to issue new funding of between £5 billion and £10 billion over the second half of this year across all public and private issuance programmes. With a further £3 billion of term funding having been completed during October, the 2011 term funding programme is complete. The Group will continue to be selective as to which products and markets it participates in during the remainder of 2011 and any further funding will be classified as pre-funding for 2012.

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STATUTORY (IFRS) PERFORMANCE (UNAUDITED) (continued)

The Group has made progress in reducing its liquidity support from governmental and central bank sources, achieving a reduction of £60 billion in the first nine months of this year and leaving £36.8 billion outstanding at the end of September. The Group expects to repay the remaining facilities in line with their contractual maturity dates, £13 billion in the final quarter of 2011, £19 billion in the first half of 2012 and £5 billion in the second half of 2012. The Group also continues to maintain a liquidity position which is in excess of current regulatory requirements (the ILG regulatory minimum). The Group's primary liquidity portfolio at 30 June 2011 was £101 billion and at the end of September this had reduced slightly to £97 billion, which is in line with the level at December 2010. This represents approximately 120 per cent of the Group's money market funding positions at the end of September 2011 and is approximately 70 per cent of all wholesale funding with a maturity of less than a year, and thus provides a buffer in the event of continued market dislocation. In addition to this primary liquidity, the Group continues to hold more than £123 billion of secondary liquidity.

Since 31 January 2010, the Group has been prohibited under the terms of an agreement with the European Commission from paying discretionary coupons and dividends on hybrid capital securities issued by the Company and certain of its subsidiaries. This prohibition ends on 31 January 2012. The Group intends to be in a position to recommence payment of coupons and dividends on these hybrid capital securities after this date. Future coupons and dividends on these hybrid capital securities will, however, be paid subject to, and in accordance with, the terms of those securities.

On 7 October 2011, the long-term ratings of Lloyds TSB Bank plc, the Company, HBOS plc and Bank of Scotland plc, together with a number of other UK financial institutions, were downgraded by a leading rating agency, and on 13 October 2011, the short and long-term ratings of Lloyds TSB Bank plc, the Company, HBOS plc and Bank of Scotland plc, together with a number of other UK financial institutions, were downgraded by another of the leading rating agencies. These downgrades resulted from the rating agencies' review of systemic support assumptions incorporated into bank ratings and a reduction of implied UK Government support for the banking sector. On 11 October 2011, and 13 October 2011, respectively, these rating agencies also downgraded the ratings of the Group's insurance subsidiaries. For more detail on credit ratings risks see "2010 20-F Risk Factors – Financial Soundness Related Risks." In particular, see "– The Group's borrowing costs and access to the capital markets is dependent on a number of factors, and increased costs or reduction in access could materially adversely affect the Group's results of operations, financial condition and prospects."

Shareholders' equity increased by £1,960 million, from £43,725 million at 31 December 2010 to £45,685 million at 30 September 2011, as the loss for the period was more than offset by gains in respect of available-for-sale financial assets and cash flow hedges.

At 30 September 2011, the Group's capital ratios had increased with a total capital ratio of 15.3 per cent (compared to 14.5 per cent at 31 December 2010), a tier 1 ratio of 11.9 per cent (compared to 11.0 per cent at 31 December 2010) and a core tier 1 ratio of 10.3 per cent (compared to 9.6 per cent at 31 December 2010). A reduction in the capital base has been more than offset by the benefit of a £34,804 million, or 9 per cent, reduction in risk-weighted assets from £406,372 million at 31 December 2010 to £371,568 million at 30 September 2011.

Risk-weighted assets reduced 9 per cent to £371,568 million in the first nine months of 2011, driven by the run-down of assets outside of the Group's risk appetite and weak demand for new lending, with new lending being of better quality than existing portfolios. The new Capital Requirements Directive (CRD) 2 and 3 rule changes will have an impact at the end of the year but are likely to be broadly offset by further risk-weighted asset reductions. The Group

therefore expects the year end risk-weighted asset position to be broadly in line with the position as at the end of September.

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STATUTORY (IFRS) AND OTHER INFORMATION

Exposures to selected Eurozone countries

The following section summarises the Group's direct exposure to certain European countries which have been identified on the basis of their higher bond yields compared to the rest of the Eurozone and the UK – Belgium, Greece, Ireland, Italy, Portugal and Spain. In addition, the Group has disclosed direct sovereign exposures to all European countries. The exposures are shown at their balance sheet carrying values, unless otherwise indicated.

The Group manages its exposures to individual countries through authorised country limits which take into account economic, financial, political and social factors. In addition, the Group manages its indirect risks to the selected countries by establishing and monitoring risk limits for individual banks and financial institutions outside of these countries where they have direct exposures to the selected countries. The profiles of these banks and financial institutions are monitored on a regular basis and exposures managed accordingly.

Sovereign exposures to European countries

The Group's sovereign exposures are primarily to the UK government but the following table includes all direct sovereign exposures to other European countries:

| | As at 30 Sept 2011 £m | As at 30 June 2011 £m |
|---|--------------------------------|--------------------------------|
| Direct sovereign | | |
| Exposures to selected Eurozone countries: | | |
| Belgium | 87 | 80 |
| Greece | – | – |
| Ireland | – | – |
| Italy | 52 | 35 |
| Portugal | – | – |
| Spain | 40 | 41 |
| | 179 | 156 |
| Exposures with other European countries: | | |
| France | 518 | 990 |
| Germany | 1,915 | 2,057 |
| Luxembourg | 470 | 498 |
| Netherlands | 12 | 12 |
| Switzerland | 103 | 60 |
| Other | 7 | 6 |
| Total | 3,204 | 3,779 |

The Group continues to have minimal exposure, in aggregate, which could be considered to be direct recourse to the sovereign risk of Belgium, Greece, Ireland, Italy, Portugal and Spain. Since 2009, the Group has proactively managed and reduced limits and exposures to these countries. The direct sovereign exposures above primarily relate to holdings in government bonds and exclude balances held with central banks in these countries.

In addition to the exposures outlined above the Group maintains deposit balances with a number of European Central banks for regulatory and liquidity management purposes. As at 30 September 2011 these balances were: Netherlands

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£19,876 million; Switzerland £383 million; Germany £186 million; Spain £31 million; France £6 million; Belgium £5 million; and Luxembourg £3 million. As at 30 June 2011 these balances were: Netherlands £6,969 million; Switzerland £692 million; Germany £152 million; Spain £26 million; Belgium £7 million; and Luxembourg £3 million.

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Banking groups and asset-backed securities

The Group's exposures to banking groups and asset-backed securities are analysed in the following section:

| As at 30 September 2011 | Banking groups £m | Asset-backed securities £m | Total £m |
|-------------------------|-------------------------|----------------------------------|-------------|
| Belgium | 309 | – | 309 |
| Greece | – | 61 | 61 |
| Ireland | 346 | 329 | 675 |
| Italy | 1,226 | 44 | 1,270 |
| Portugal | 185 | 369 | 554 |
| Spain | 2,063 | 408 | 2,471 |
| Total | 4,129 | 1,211 | 5,340 |
| As at 30 June 2011 | | | |
| Belgium | 318 | – | 318 |
| Greece | – | 70 | 70 |
| Ireland | 366 | 373 | 739 |
| Italy | 1,780 | 48 | 1,828 |
| Portugal | 241 | 424 | 665 |
| Spain | 2,136 | 450 | 2,586 |
| | 4,841 | 1,365 | 6,206 |

Just over half of the overall positions of £5.3 billion relate to structures where there are underlying assets securing the obligations (asset-backed securities or covered bonds); the balance is generally floating rate notes or short-term unsecured money market exposures or general banking facilities.

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Banking groups

Exposures are to banking groups headquartered in these countries and their major subsidiaries and comprise:

| As at 30 September 2011 | Fixed and floating rate notes £m | Covered bonds £m | Money market, short-term and other exposures £m | Derivatives £m | Total £m |
|-------------------------|-------------------------------------|---------------------|--|-------------------|-------------|
| Belgium | 230 | – | 74 | 5 | 309 |
| Greece | – | – | – | – | – |
| Ireland | – | 139 | 194 | 13 | 346 |
| Italy | 195 | – | 982 | 49 | 1,226 |
| Portugal | – | 131 | 54 | – | 185 |
| Spain | 157 | 1,527 | 365 | 14 | 2,063 |
| Total | 582 | 1,797 | 1,669 | 81 | 4,129 |
| As at 30 June 2011 | | | | | |
| Belgium | 242 | – | 77 | (1) | 318 |
| Greece | – | – | – | – | – |
| Ireland | – | 145 | 220 | 1 | 366 |
| Italy | 216 | – | 1,542 | 22 | 1,780 |
| Portugal | – | 150 | 90 | 1 | 241 |
| Spain | 163 | 1,584 | 370 | 19 | 2,136 |
| Total | 621 | 1,879 | 2,299 | 42 | 4,841 |

The fixed and floating rate notes (FRNs), which continue to be rated A or better, are all classified as available-for-sale financial assets and have an overall weighted maturity of less than 2 years. They are shown at fair value with a charge of £11 million having been taken to available-for-sale reserves; no impairments have been recognised. There were significant reductions in FRN positions during 2011 from £2,701 million at 31 December 2010 to £582 million at 30 September 2011. These reductions are a result of asset sales and maturities.

The covered bonds are ultimately secured on a pool of mortgage assets in the countries concerned with 68 per cent rated A- or better. The bonds benefit from over-collateralisation and are all classified as available-for-sale financial assets, with an overall weighted maturity of approximately five years. The covered bonds are shown at fair value with a charge of £329 million having been taken to available-for-sale reserves; no impairments have been recognised.

Money market, short-term and other exposures are to major banks in the countries concerned. They are predominantly short-term and include money market and net repo exposures, and drawn, undrawn and contingent amounts for 'other exposures', which are mainly general banking facilities. No impairments are held against these exposures. In addition there are unutilised money market lines and repo facilities of approximately £2.1 billion predominantly in respect of Spanish and Italian banks. Bank limits have been closely monitored with amounts and tenors reduced where appropriate. Of these exposures, approximately 85 per cent of the balance is to institutions rated at least A-.

Derivatives are shown at fair value, adjusted where master netting agreements exist and net of collateral of £164 million. There are no credit default swap positions in place where the counterparty bank is domiciled in one of

the selected Eurozone countries. There are credit default swap positions referenced to banking groups domiciled in Spain (net short of £21 million).

LLOYDS BANKING GROUP PLC

Asset-backed securities

The asset-backed securities holdings of £1,211 million are analysed by country on page 10; in the table below these are analysed between those which are included in loans and receivables and those which are included in available-for-sale financial assets. In the majority of cases the underlying assets are residential mortgages.

| As at 30 September 2011 | Loans and receivables | | Available- for-sale financial assets | Total | Weighted average maturity |
|----------------------------|------------------------------|---------------|---|------------------------------|---------------------------------|
| | Current carrying value | Fair value | Current carrying value | carrying value | Years |
| | | | | See above | |
| | | | | Nicholas F. Galluccio | See above |
| | | | | Robert S. Zuccaro | See above |
| | | | | Christopher J. Michailoff | Acting Secretary |
| | £m | £m | £m | | |

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Christopher J. Michailoff Secretary

Robert S. Zuccaro Chief Financial Officer

Gabelli & Company, Inc.
Directors:

James G. Webster, III Chairman

Irene Smolicz Senior Trader
Gabelli & Company, Inc.

Officers:

Daniel Miller Office of the President

Bruce N. Alpert Vice President - Mutual Funds

Diane M. LaPointe Treasurer

Douglas R. Jamieson Secretary

Gabelli Foundation, Inc.
Officers:

Mario J. Gabelli Chairman, Trustee & Chief Investment Officer

Elisa M. Wilson President

Marc J. Gabelli Trustee

Matthew R. Gabelli Trustee

Michael Gabelli Trustee

MJG-IV Limited Partnership
Officers:

Mario J. Gabelli General Partner

SCHEDULE II
 INFORMATION WITH RESPECT TO
 TRANSACTIONS EFFECTED DURING THE PAST SIXTY DAYS OR
 SINCE THE MOST RECENT FILING ON SCHEDULE 13D (1)

| | DATE | SHARES PURCHASED SOLD(-) | AVERAGE PRICE(2) |
|--|----------|-----------------------------|---------------------|
| COMMON STOCK-CALIPER LIFE SCIENCES INC. | | | |
| GABELLI FOUNDATION, INC. | | | |
| | 11/07/11 | 12,000- | 10.5000 |
| GAMCO INVESTORS, INC. | | | |
| | 11/07/11 | 24,400- | 10.5000 |
| GAMCO ASSET MANAGEMENT INC. | | | |
| | 11/07/11 | 576,500- | 10.5000 |
| GABELLI SECURITIES, INC. | | | |
| | 11/07/11 | 77,100- | 10.5000 |
| | 11/04/11 | 2,300 | 10.4800 |
| GABELLI ASSOCIATES LIMITED II E | | | |
| | 11/07/11 | 58,000- | 10.5000 |
| | 11/04/11 | 1,700 | 10.4800 |
| GABELLI ASSOCIATES LIMITED | | | |
| | 11/07/11 | 153,768- | 10.5000 |
| | 11/04/11 | 4,400 | 10.4800 |
| GABELLI ASSOCIATES FUND II | | | |
| | 11/07/11 | 122,608- | 10.5000 |
| | 11/04/11 | 3,400 | 10.4800 |
| GABELLI ASSOCIATES FUND | | | |
| | 11/07/11 | 278,063- | 10.5000 |
| | 11/04/11 | 8,081 | 10.4800 |
| TETON ADVISORS, INC. | | | |
| | 11/07/11 | 150,000- | 10.5000 |
| GABELLI FUNDS, LLC. | | | |
| GAMCO STRATEGIC VALUE | | | |
| | 11/07/11 | 60,000- | 10.5000 |
| THE GDL FUND | | | |
| | 11/07/11 | 1,384,200- | 10.5000 |
| | 11/04/11 | 400,000 | 10.4961 |
| GABELLI ENTERPRISE M&A FUND | | | |
| | 11/07/11 | 120,000- | 10.5000 |
| GAMCO MERGER ARBITRAGE | | | |
| | 11/07/11 | 66,900- | 10.5000 |
| | 11/04/11 | 1,900 | 10.4800 |
| GABELLI ABC FUND | | | |

11/07/11 265,000- 10.5000

(1) UNLESS OTHERWISE INDICATED, ALL TRANSACTIONS WERE EFFECTED ON THE NASDAQ GLOBAL SECURITIES MARKET.

(2) PRICE EXCLUDES COMMISSION.

(3) THE TRANSACTIONS ON 11/07/11 ARE A RESULT OF THE COMPLETION OF THE ACQUISITION OF THE ISSUER BY PERKINELMER, INC. FOR \$10.50 PER SHARE.

