Lloyds Banking Group plc
Form 6-K
November 01, 2012

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

01 November 2012

LLOYDS BANKING GROUP plc
(Translation of registrant's name into English)

5th Floor
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 Form 20-F or Form 40-F.

Form 20-F..X..   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 ..X..

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

Index to Exhibits

Item

No. 1 Regulatory News Service Announcement, dated 01 November 2012
re: 3rd Quarter Results

Q3 2012 Interim Management Statement

Lloyds Banking Group plc

1 November 2012

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 2012.

Statutory basis

Unaudited statutory results are set out on pages 16 and 17. However, a number of factors have had a significant effect on the comparability of the Group's financial position and results. As a result, comparison of the 2012 results on a statutory basis with 2011 is of limited benefit.

Management basis

In order to present a more meaningful view of underlying business performance, the results are presented on a management basis. The key principles adopted in the preparation of the management basis of reporting are described below.

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In order to reflect the impact of the acquisition of HBOS, the following adjustments have been made:

- the amortisation of purchased intangible assets has been excluded; and

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- the unwind of acquisition-related fair value adjustments is shown on one line in the management basis income statement, other than unwind related to asset sales which is included within the effects of asset sales, volatile items and liability management.

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In order to better present the business performance the effects of asset sales, volatile items and liability management are shown on separate lines in the management basis consolidated income statement and 'underlying profit' is profit before taking into account these items and fair value unwind; underlying income is net of insurance claims. Comparatives have been restated accordingly.

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The following items, not related to acquisition accounting, have also been excluded from management profit:

- volatility arising in insurance businesses;
- integration and Simplification costs;
- EC mandated retail business disposal costs;
- payment protection insurance;
- insurance gross up;
- certain past service pensions credits in respect of the Group's defined benefit pension schemes; and
- provision in relation to German insurance business litigation.

To enable a better understanding of the Group's core business trends and outlook, certain income statement, balance sheet and regulatory capital information is analysed between core and non-core portfolios. The non-core portfolios consist of businesses which deliver below-hurdle returns, which are outside the Group's risk appetite or may be distressed, are subscale or have an unclear value proposition, or have a poor fit with the Group's customer strategy. The EC mandated retail business disposal (Project Verde) is included in core portfolios.

The Group's core and non-core activities are not managed separately and the preparation of this information requires management to make estimates and assumptions that impact the reported income statements, balance sheet, regulatory capital related and risk amounts analysed as core and as non-core.

The Group uses a methodology that categorises income and expenses as non-core only where management expect that the income or expense will cease to be earned or incurred when the associated asset or liability is divested or run-off, and allocates operational costs to the core portfolio unless they are directly related to non-core activities. This results in the reported operating costs for the non-core portfolios being less than would be required to manage these portfolios on a stand-alone basis. Due to the inherent uncertainty in making estimates, a different methodology or a different estimate of the allocation might result in a different proportion of the Group's income or expenses being allocated to the core and non-core portfolios, different assets and liabilities being deemed core or non-core and accordingly a different allocation of the regulatory effects.

Unless otherwise stated income statement commentaries throughout this document compare the nine months to 30 September 2012 to the nine months to 30 September 2011, and the balance sheet analysis compares the Group balance sheet as at 30 September 2012 to the Group balance sheet as at 31 December 2011.

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 or may 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 UK domestic and global economic and business conditions; the ability to derive cost savings and other benefits, including as a result of the Group's Simplification programme; 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, including Eurozone instability; changing demographic and market related trends; changes in customer preferences; changes to laws, regulation, accounting standards or taxation, including changes to regulatory capital or liquidity requirements; the policies and actions of governmental or regulatory authorities in the UK, the European Union, or jurisdictions outside the UK, including other European countries and the US; the implementation of the draft EU crisis management framework directive and banking reform following the recommendations made by the Independent Commission on Banking; the ability to attract and retain senior management and other employees; requirements or limitations imposed on the Group as a result of HM Treasury's investment in the Group; the ability to complete satisfactorily the disposal of certain assets as part of the Group's EC state aid obligations; the extent of any future impairment charges or write-downs caused by depressed asset valuations, market disruptions and illiquid markets; the effects of competition and the actions of competitors, including non-bank financial services and lending companies; exposure to regulatory scrutiny, legal proceedings, regulatory investigations or complaints, and other factors. Please refer to the latest Annual Report on Form 20-F filed with the US Securities and Exchange Commission for a discussion of certain factors together with examples of forward looking statements. The forward looking statements contained in this announcement are made as at the date of this announcement, and the Group undertakes no obligation to update any of its forward looking statements.

KEY HIGHLIGHTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

'We have made further significant progress this quarter, improving underlying performance in a challenging environment, while continuing to deliver returns above the cost of equity in the core business and strengthen our already robust balance sheet. We have a strong commitment to helping Britain prosper, and our early participation in the Funding for Lending scheme is enabling us to extend further financing to businesses and customers in the UK. As part of this focus on supporting sustainable economic growth, we are continuing to increase SME lending on a net basis in a contracting market and provide mortgages to one in four first-time home buyers. We remain confident that, by delivering our strategy to be a simple, customer-focused UK retail and commercial bank, we can rebuild the trust of our customers and other stakeholders and can deliver sustainable returns for our shareholders over time.'

António Horta-Osório
Group Chief Executive

Improved underlying Group performance in a challenging environment

- Underlying profit increased by 148 per cent to £1,904 million
- Net interest margin in line with plan at 1.93 per cent (first nine months of 2011: 2.10 per cent)
- Further reductions in costs (down 5 per cent) and impairment (down 40 per cent)
- Statutory loss before tax of £583 million, including a further PPI provision of £1 billion in the third quarter

Core business continuing to deliver returns above the cost of equity

- Return on risk-weighted assets of 2.61 per cent (first nine months of 2011: 2.48 per cent)
- Loans and advances to customers marginally down in third quarter at £426.0 billion (30 June 2012: £428.5 billion)
- Net interest margin of 2.32 per cent; stable in third quarter
- Credit quality remains strong: impairment reduced 40 per cent to £1,351 million; impairment charge as a percentage of average advances improved to 0.41 per cent (first nine months of 2011: 0.66 per cent)

Investing in our core business to improve service, and support our customers and the UK economy

- Lowest FSA reportable banking complaints (excl. PPI) of major UK banks at 1.4 per 1,000 accounts
- Net Promoter Scores up in all the three main retail brands
- SME net lending growth of 4 per cent in the last 12 months against market down 4 per cent

UK's largest lender to first-time buyers, helping around 40,000 customers buy their first home so far in 2012
First bank to access Funding for Lending scheme: £1 billion drawn in September; lending commitments to SMEs increased by £1 billion to £13 billion; £500 million commitment made to first-time buyer market

Further good progress on initiatives to simplify and reshape the business

Simplification run-rate cost savings increased by £418 million in the nine months to end September to £660 million
Non-core assets reduced by £31 billion to £110 billion, ahead of 2012 full year guidance
12 countries or overseas branches now exited, or exit announced, out of target of 15 by the end of 2014

Strong balance sheet: improved capital ratios, continued above-market deposit growth and strong liquidity

Strong capital position: core tier 1 ratio continues to improve and is now 11.5 per cent; total capital ratio increased to 16.6 per cent, confident we will meet future regulatory capital requirements
Continued above-market deposit growth of 6 per cent year-on-year
Group loan to deposit ratio further improved to 124 per cent (core: 102 per cent)
Greater balance sheet flexibility, with surplus liquidity deployed in repurchase of over £10 billion of term funding in Q3

Guidance reaffirmed or improved

Full year 2012 Group net interest margin expected to be around 1.93 per cent, in line with previous guidance
Cost base of close to £10 billion in full year 2012, two years ahead of original plan; reduction of around £1 billion since 2010
2012 impairment charge guidance further lowered to approximately £6 billion
Full year 2012 non-core asset reduction target further increased to around £38 billion, £13 billion more than original target; continue to expect non-core asset reduction to be capital generative
Expect to reach our long-term loan to deposit ratio target of 100 per cent for the core business in the first quarter of 2013, at the same time as reaching a 120 per cent loan to deposit ratio for the Group

MANAGEMENT BASIS CONSOLIDATED INCOME STATEMENT

	Nine months ended 30 Sept 2012 £ million	Nine months ended 30 Sept 2011 £ million	Change %	Three months ended 30 Sept 2012 £ million	Three months ended 30 Sept 2011 £ million	Change %
Net interest income	7,790	9,407	(17)	2,575	3,052	(16)
Other income	6,376	6,933	(8)	2,112	1,987	6
Insurance claims	(335)	(285)	(18)	(102)	(87)	(17)
Total underlying income	13,831	16,055	(14)	4,585	4,952	(7)
Total costs	(7,508)	(7,909)	5	(2,483)	(2,577)	4
Impairment	(4,419)	(7,378)	40	(1,262)	(1,956)	35
Underlying profit	1,904	768		840	419	
Effects of asset sales, volatile items and liability management	133	(134)		189	130	45
Fair value unwind	212	1,114	(81)	55	95	(42)

Management profit	2,249	1,748	29	1,084	644	68
Volatility arising in insurance businesses	236	(737)		260	(560)	
Simplification, EC mandated retail business disposal costs and integration costs	(731)	(1,066)		(218)	(377)	
Payment protection insurance provision	(2,075)	(3,200)		(1,000)	-	
Past service pensions credit	250	-		-	-	
Amortisation of purchased intangibles	(362)	(428)		(120)	(139)	
Provision in relation to German insurance business litigation	(150)	(175)		(150)	(175)	
Loss before tax - statutory	(583)	(3,858)		(144)	(607)	
Taxation	(419)	1,079		(217)	106	
Loss for the period	(1,002)	(2,779)		(361)	(501)	
Loss per share	(1.5)p	(4.1)p	63	(0.5)p	(0.8)p	38
Banking net interest margin	1.93%	2.10%	(17)bp	1.93%	2.05%	(12)bp
Impairment as a % of average advances	1.04%	1.61%	(57)bp	0.93%	1.30%	(37)bp
Return on risk-weighted assets	0.75%	0.26%	49bp	1.02%	0.44%	