



## **Lloyds Banking Group plc**

*as Issuer and Guarantor*

*(incorporated in Scotland with limited liability under the Companies Act 1985 with registered number 95000)*

## **Lloyds TSB Bank plc**

*as Issuer*

*(incorporated in England with limited liability under the Companies Act 1862 and the Companies Act 1985 with registered number 2065)*

# **U.S.\$35,000,000,000 Senior and Subordinated Medium-Term Notes Due Nine Months or More from Date of Issue**

This Supplement (the “**Supplement**”) to the prospectus dated 20 April 2012 (as supplemented by a supplementary prospectus dated 15 May 2012), which constitutes a base prospectus (the “**Prospectus**”) for the purposes of Article 5.4 of Directive 2003/71/EC, constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 (the “**FSMA**”) and is prepared in connection with the U.S.\$35,000,000,000 Medium-Term Note Programme (the “**Programme**”) established by Lloyds Banking Group plc (the “**Company**” or the “**Guarantor**”) and Lloyds TSB Bank plc (the “**Bank**”) (each, an “**Issuer**” and together, the “**Issuers**”).

This Supplement is supplemental to, and should be read in conjunction with, the Prospectus and the documents incorporated by reference therein. Capitalised terms used in this Supplement but not defined herein shall have the meanings ascribed to them in the Prospectus.

Each of the Issuers and the Guarantor accepts responsibility for the information contained in this Supplement. To the best of the knowledge of each of the Issuers and the Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

### **Purpose of this Supplement**

The purpose of this Supplement is to:

- (i) incorporate by reference into the Prospectus (a) the 25 June 2012 Recent Developments 6-K, (b) the Company’s 2012 Half-Year Results, (c) the Bank’s 2012 Half-Year Management Report, (d) the Company’s HY 2012 Results 6-K, (e) the HY 2012 Capitalisation Table 6-K, and (f) the HY 2012 Earnings to Fixed Charges 6-K (each as defined in this Supplement);
- (ii) provide disclosure on the recent ratings downgrades by Moody’s Investors Service Ltd. (“**Moody’s**”) relevant to the Company and the Bank and to Notes issued under the Programme;

- (iii) provide disclosure on litigation in relation to the insurance branch business in Germany;
- (iv) update the sub-section entitled “Directors” within the section entitled “Lloyds Banking Group”;
- (v) amend and update the no significant change statement of each of Lloyds Banking Group and Lloyds TSB Bank Group; and
- (vi) amend and update the governmental, legal or arbitration proceedings statements of each of Lloyds Banking Group, the Company, Lloyds TSB Bank Group and the Bank,

each as described in further detail below.

## Documents Incorporated by Reference

By virtue of this Supplement, the following documents, which have been previously published and approved by the Financial Services Authority or filed with it, shall be deemed to be incorporated in, and form part of, the Prospectus:

- (a) the report on Form 6-K filed with the United States Securities and Exchange Commission (the “SEC”) on 25 June 2012, which includes recent developments disclosure relating to the Issuers’ ratings downgrades by Moody’s (the “**25 June 2012 Recent Developments 6-K**”);
- (b) the Company’s 2012 Half-Year Results News Release for the half-year to 30 June 2012, including the unaudited condensed consolidated financial statements prepared on a statutory basis for the half-year to 30 June 2012, together with the independent review thereon, as set out on pages 146 to 187 and 188 thereof, respectively, published via the RNS on 26 July 2012 (the “**Company’s 2012 Half-Year Results**”);
- (c) the Bank’s 2012 Half-Year Management Report for the half-year to 30 June 2012, including the unaudited condensed consolidated financial statements prepared on a statutory basis for the half-year to 30 June 2012, together with the independent review thereon, as set out on pages 9 to 41 and 42 thereof, respectively (the “**Bank’s 2012 Half-Year Management Report**”);
- (d) the report on Form 6-K filed with the SEC on 16 August 2012, which includes the Company’s 2012 Half-Year Results (the “**Company’s HY 2012 Results 6-K**”);
- (e) the report on Form 6-K filed with the SEC on 16 August 2012, which includes the Company’s Capitalization Table as at 30 June 2012 (the “**HY 2012 Capitalisation Table 6-K**”); and
- (f) the report on Form 6-K filed with the SEC on 16 August 2012, which includes the Company’s Statement of Computation of Earnings to Fixed Charges as at 30 June 2012 (the “**HY 2012 Earnings to Fixed Charges 6-K**”).

Any documents themselves incorporated by reference in documents (a) to (f) above shall not form part of the Prospectus.

## Recent Developments

*Ratings downgrades by Moody’s relevant to the Company and the Bank and to Notes issued under the Programme*

The ratings information provided in the Prospectus is updated as set out below.

On 21 June 2012, as part of a ratings review of 114 European financial institutions announced in February 2012, Moody’s downgraded the longer-term senior debt and deposit ratings of the Issuers by one notch. Moody’s have confirmed that the Issuers’ short-term “Prime-1” rating remains unchanged. Moody’s further announced that the outlook is stable on the Issuers’ standalone credit assessment and negative on the Bank’s “A2” senior debt and deposit ratings, reflecting Moody’s medium-term view of lower systemic support for UK banks.

Accordingly, as at the date hereof: (i) long-term senior obligations of the Company are rated “A3” by Moody’s (ii) long-term senior obligations of the Bank are rated “A2” by Moody’s; and (iii) short-term obligations of the Bank are rated “P-1” by Moody’s.

Accordingly, Moody's is expected to rate:

Senior Notes issued by the Company with a maturity of one year or more "A3"; and

Senior Notes issued by the Bank with a maturity of one year or more "A2"; and Subordinated Notes issued by the Bank containing substitution and variation clauses are expected to be rated "Ba1".

As defined by Moody's:

- (a) an "A2" rating means the obligation rated "A2" is considered upper-medium grade and is subject to low credit risk. The modifier "2" indicates that the obligation ranks in the mid-range of its generic rating category;
- (b) an "A3" rating means the obligation rated "A3" is considered upper-medium grade and is subject to low credit risk. The modifier "3" indicates that the obligation ranks in the lower end of its generic rating category; and
- (c) a "Ba1" rating means the obligation rated "Ba1" is judged to be speculative and is subject to substantial credit risk. The modifier "1" indicates the obligation ranks in the higher end of its generic rating category.

The rating definitions set out above constitute third-party information and were obtained in the English language from the publication entitled "Rating Symbols and Definitions – June 2012" published by Moody's (available at [www.moodys.com](http://www.moodys.com)). The information found at the website referred to in the previous sentence does not form part of and is not incorporated by reference into the Prospectus. The rating definitions set out above have been accurately reproduced from the source identified above and, so far as the Bank is aware and is able to ascertain from information published by the third party referred to above, no facts have been omitted which would render the ratings definitions set out above inaccurate or misleading.

For detail on credit ratings risks see "*Risk Factors – Financial Soundness Related Risks*". In particular, see Risk Factor entitled, "*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*".

#### *Litigation in relation to the insurance branch business in Germany*

Clerical Medical Investment Group Limited ("CMIG") has received a number of claims in the German courts, relating to policies issued by CMIG but sold by independent intermediaries in Germany, principally during the late 1990s and early 2000s. CMIG's strategy has included defending claims robustly and appealing against adverse judgments. In its accounts for the year ended 31 December 2011 the Group recognised a provision of £175 million with respect to this litigation.

On 11 July 2012 the Federal Court of Justice ("FCJ"), the highest civil court in Germany, considered five cases which had been appealed to it from regional Courts of Appeal. In some of those cases CMIG was the appellant, having lost at the Court of Appeal level. In some of those cases CMIG was the respondent, having been successful at the Court of Appeal level.

The FCJ decided to remand the five cases back to the respective Courts of Appeal, to enable further consideration of the facts in each case. At the same time as making its decisions with respect to these five cases the FCJ issued a press release (the "Press Release") which, although not having any legal effect, included comments by the FCJ on

a range of issues relating to the five cases under appeal and other aspects of the relevant policies sold by CMIG, some of which comments are adverse to the position of CMIG. Between 25 and 31 July 2012 the FCJ handed down the five formal judgments in these cases which included detailed guidance with respect to key issues.

The full impact of the FCJ's decisions in these cases, and the implications with respect to other claims facing CMIG, cannot be assessed until after the FCJ's more detailed guidance in each of these cases has been reviewed and a consistent pattern has emerged with respect to the application of that guidance by the lower courts. Having regard to comments made by FCJ in its Press Release and the judgments, it is believed likely that the facts of individual cases will need to be considered on a case by case basis by lower courts in Germany (and, potentially, through one or more further appeals to the FCJ), and that the full implications of the FCJ's decisions will thus only be capable of being assessed over time, once further clarity emerges from subsequent consideration of individual claims by lower courts and/or the FCJ. From the Press Release and an initial review of the judgments, the impact of the litigation cannot be quantified at this stage and there is a greater risk that the ultimate outcome of this litigation could be more unfavourable than previously assessed. The financial effect, which could be significantly different to the provision, will only be known once there is further clarity with respect to a range of legal issues involved in these claims and/or all relevant claims have been resolved.

### **Directors**

On 16 May 2012, George Culmer was appointed as Group Finance Director of the Company and of the Bank.

On 1 June 2012, Lord Blackwell was appointed as a non-executive director of the Company and of the Bank. Lord Blackwell is Chairman of Interserve plc, a non-executive director of Ofcom and Halma plc and a member of the board of the Centre for Policy Studies.

On 1 June 2012, Carolyn Fairbairn was appointed as a non-executive director of the Company and of the Bank. Ms Fairbairn is a non-executive director of The Vitac Group plc and a trustee of Marie Curie Cancer Care.

### **General Information**

Save as disclosed in (i) the sub-section entitled "Payment protection insurance" of the section entitled "Provisions for liabilities and charges" as set out in note 21 to the Company's 2012 Half-Year Results on pages 175 to 176 of the Company's 2012 Half-Year Results; (ii) the sub-section entitled "Litigation in relation to the insurance branch business in Germany" of the section entitled "Recent Developments" as set out on pages 4 and 5 of this Supplementary Prospectus; and (iii) the sub-sections entitled "Interchange fees", "Interbank offered rate setting investigations", "Shareholder complaints" and "Employee disputes" of the section entitled "Contingent liabilities and commitments" as set out in note 22 to the Company's 2012 Half-Year Results on pages 177 to 178 of the Company's 2012 Half-Year Results, there are no governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which the Company is aware) during the 12 months preceding the date of this Base Prospectus, which may have or have had in the recent past, significant effects on the financial position or profitability of the Company or Lloyds Banking Group.

Save as disclosed in (i) the sub-section entitled "Payment protection insurance" of the section entitled "Provisions for liabilities and charges" as set out in note 15 to the Bank's 2012 Half-Year Management Report on pages 30 and 31 of the Bank's 2012 Half-Year Management Report; (ii) the sub-section entitled "Litigation in relation to the insurance branch business in Germany" of the section entitled "Recent Developments" as set out on pages 4 and 5 of this Supplementary Prospectus; and (iii) the sub-sections entitled "Interchange fees", "Interbank offered rate setting investigations", "Shareholder complaints" and "Employee disputes" of the section entitled

“Contingent liabilities and commitments” as set out in note 16 to the Bank’s 2012 Half-Year Management Report on pages 32 and 33 of the Bank’s 2012 Half-Year Management Report, there are no governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which the Bank is aware) during the 12 months preceding the date of this Base Prospectus, which may have or have had in the recent past, significant effects on the financial position or profitability of the Bank or Lloyds TSB Bank Group.

There has been no significant change in the financial or trading position of Lloyds Banking Group since 30 June 2012, the date to which Lloyds Banking Group’s last published interim financial information (as set out in the Company’s 2012 Half-Year Results) was prepared.

There has been no significant change in the financial or trading position of Lloyds TSB Bank Group since 30 June 2012, the date to which Lloyds TSB Bank Group’s last published interim financial information (as set out in the Bank’s 2012 Half-Year Management Report) was prepared.

The Issuers and Guarantor will provide, without charge, to each person to whom a copy of this Supplement has been delivered, upon the oral or written request of such person, a copy of any or all of the documents which are incorporated in whole or in part by reference herein or in the Prospectus. Written or oral requests for such documents should be directed to the Company at its registered office at The Mound, Edinburgh, EH1 1YZ or to the Bank at its principal office at 25 Gresham Street, London, EC2V 7HN.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Prospectus by this Supplement and (b) any other statement in or incorporated by reference into the Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Prospectus has arisen or been noted, as the case may be, since the publication of the Prospectus.

An investor should be aware of its rights arising pursuant to Section 87Q(4) of the FSMA.