

GROUP RESULTS

2007 Interim Results

31 July 2007

Sir Victor Blank
Chairman

Chairman's overview

- **Broad based revenue and earnings growth**
- **Accelerating profit momentum; improving returns**
- **Strong profit growth in each division**
- **Well positioned to deliver double-digit economic profit growth**
- **Interim dividend increased by 5%**

GROUP RESULTS

2007 Interim Results

31 July 2007

Helen Weir
Group Finance Director

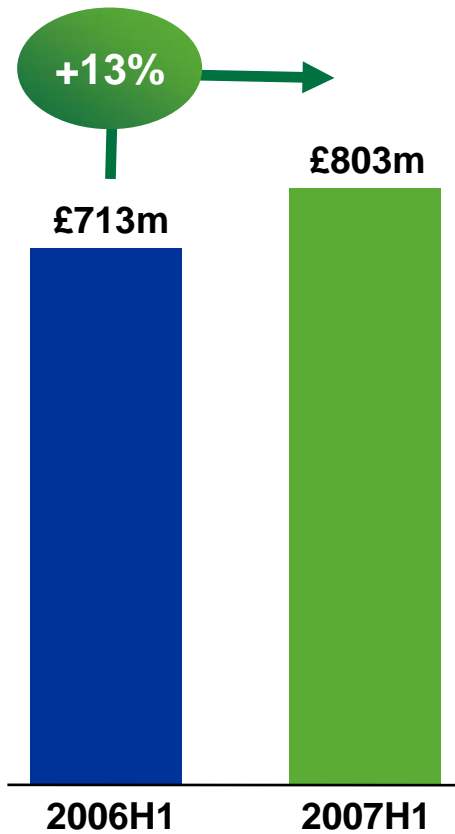
Delivering a strong performance*

	<u>2006H1</u>	<u>2007H1</u>	<u>% Change</u>
Profit before tax	£1,750m	£2,010m	15
Earnings per share	22.1p	26.9p	22
Economic profit	£772m	£1,008m	31
Post-tax return on equity	24.0%	27.0%	
Interim dividend per share	10.7p	11.2p	5

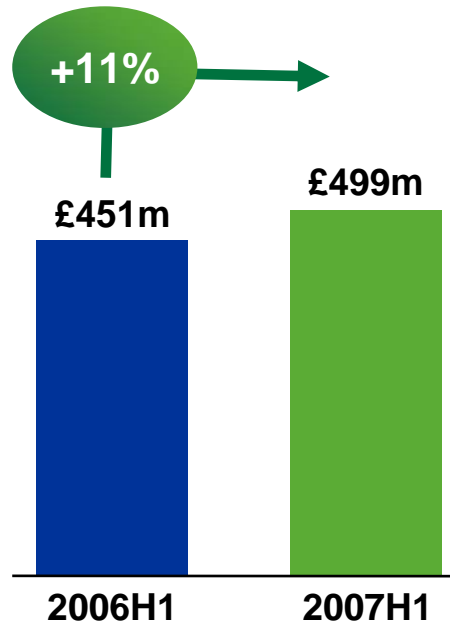
* excluding volatility

Delivering double-digit profit growth in each division

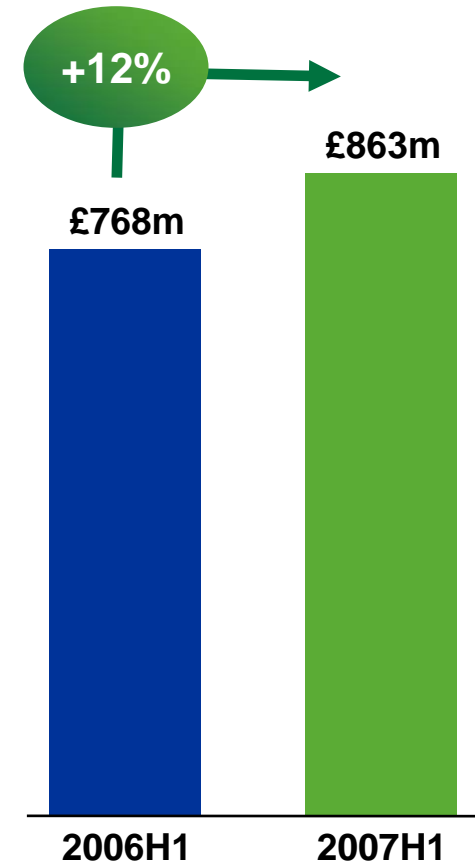
UK Retail Banking



Insurance & Investments*



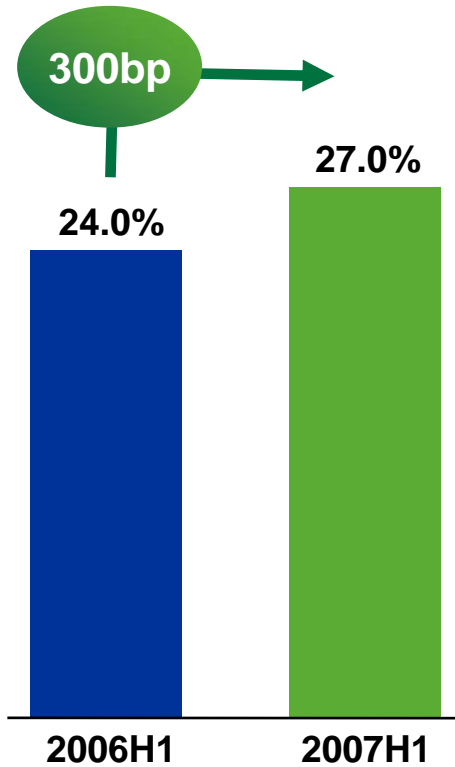
Wholesale & International Banking



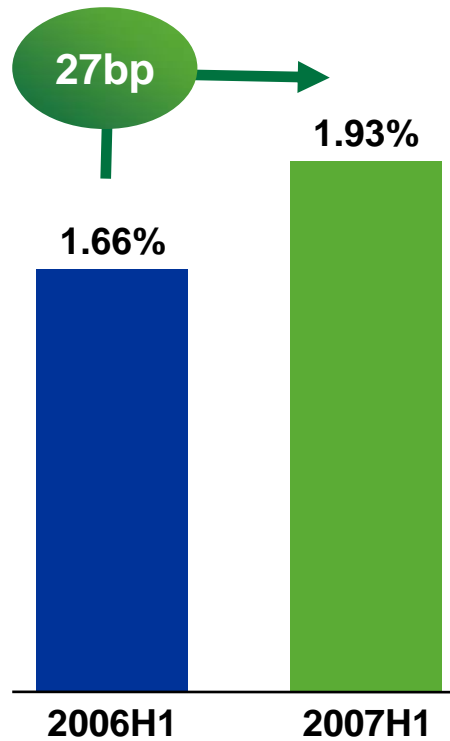
* excluding volatility, and impact of surplus capital repatriation to Group

Delivering growth AND returns

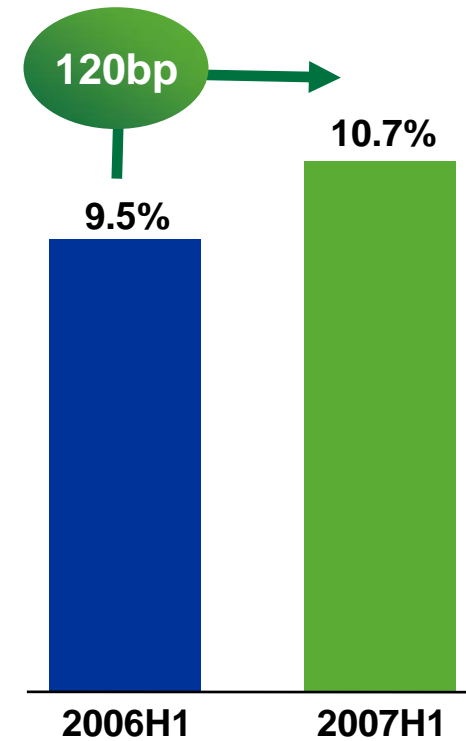
Post-tax Return
on Equity*



Post-tax Return on
Risk-weighted Assets*



Post-tax Return
on EEV*



* excluding volatility

Strong positive jaws*

£m	<u>2006H1</u>	<u>2007H1</u>	<u>% Change</u>
Total income, after claims	5,160	5,607	9
Operating expenses	(2,610)	(2,760)	(6)
Trading surplus	<u>2,550</u>	<u>2,847</u>	12
Impairment	(800)	(837)	(5)
Profit before tax	<u>1,750</u>	<u>2,010</u>	15

* excluding volatility

Strong positive jaws – underlying results*

£m	2006H1	2007H1	% Change
Total income, after claims	5,152	5,585	8
Operating expenses	(2,615)	(2,714)	(4)
Trading surplus	2,537	2,871	13
Impairment	(800)	(809)	(1)
	1,737	2,062	19
Settlement of overdraft claims	–	(36)	
Impact of 2007 Finance Act	–	(28)	
Insurance grossing	13	12	
Profit before tax	1,750	2,010	15

* excluding volatility

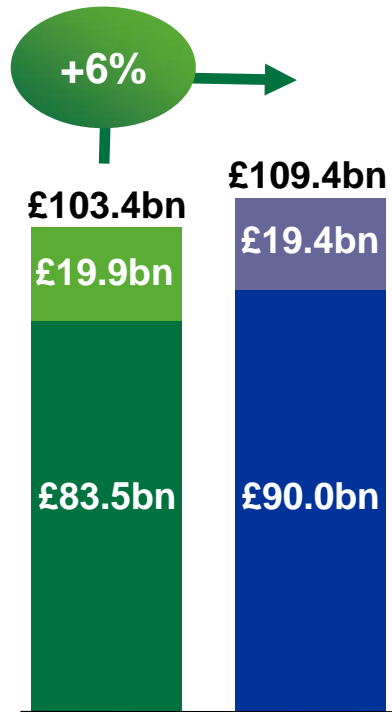
Strong trading momentum – across each division

	UKRB		I&I*		W&IB	
	£m	% Change	£m	% Change	£m	% Change
Income	2,727	6	812	8	2,198	10
Costs	(1,261)	(2)	(325)	(4)	(1,125)	(5)
Trading surplus	1,466	9	487	11	1,073	16
Impairment	(627)	1	–		(182)	(14)
	839	18	487	11	891	16
Settlement of overdraft claims	(36)		–		–	
2007 Finance Act	–		–		(28)	
Profit before tax	803	13	487	11	863	12

* excluding volatility, insurance grossing and impact of surplus capital repatriation to Group

Good asset and deposit growth

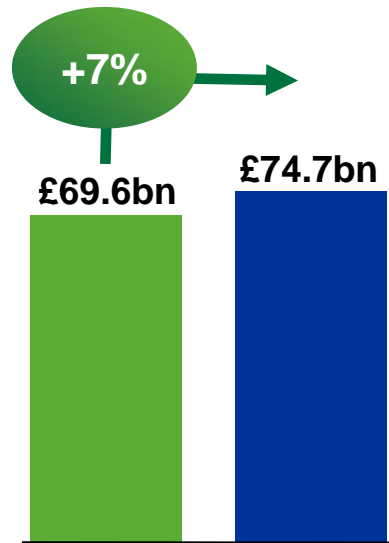
UK Retail Banking



2006H1 2007H1
Average Interest Earning Assets

 Mortgages
  Unsecured

* excluding reverse repos

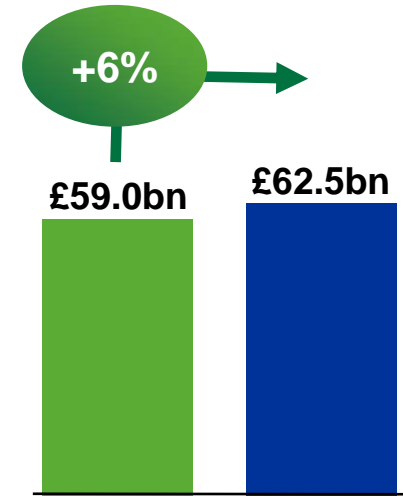


2006H1 2007H1
Average Customer Deposits

Wholesale & International Banking

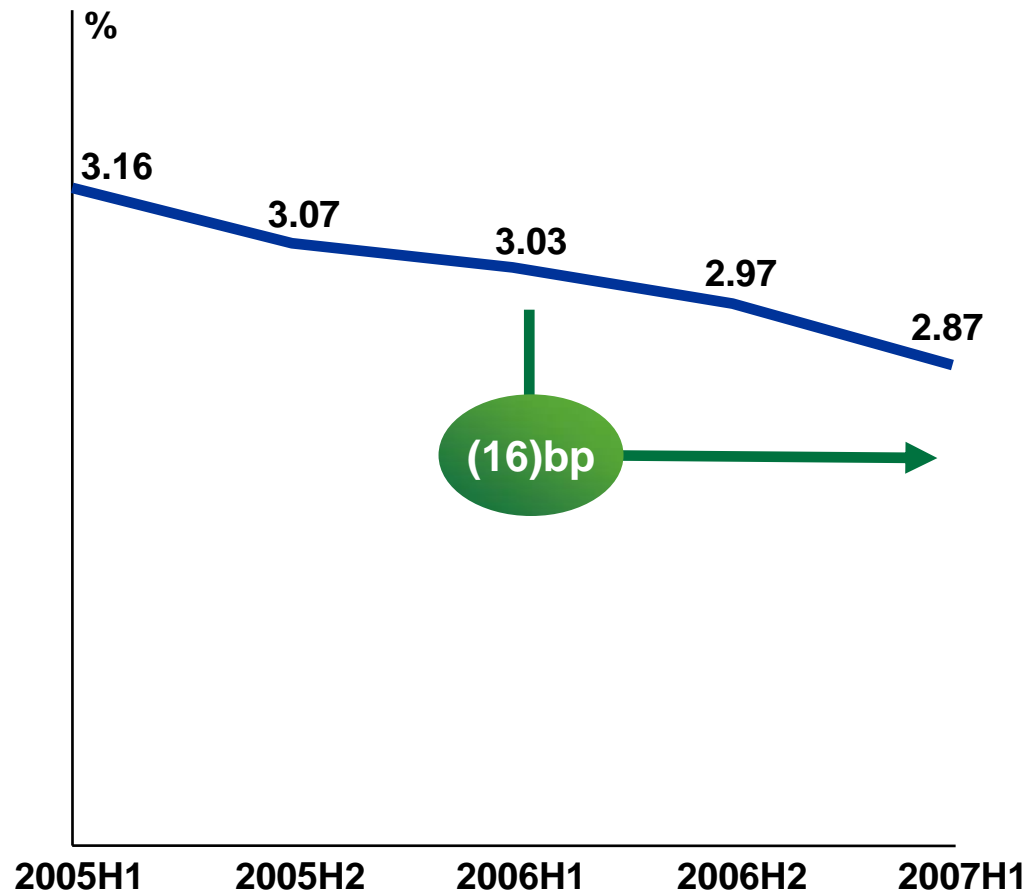


2006H1 2007H1
Average Interest Earning Assets*



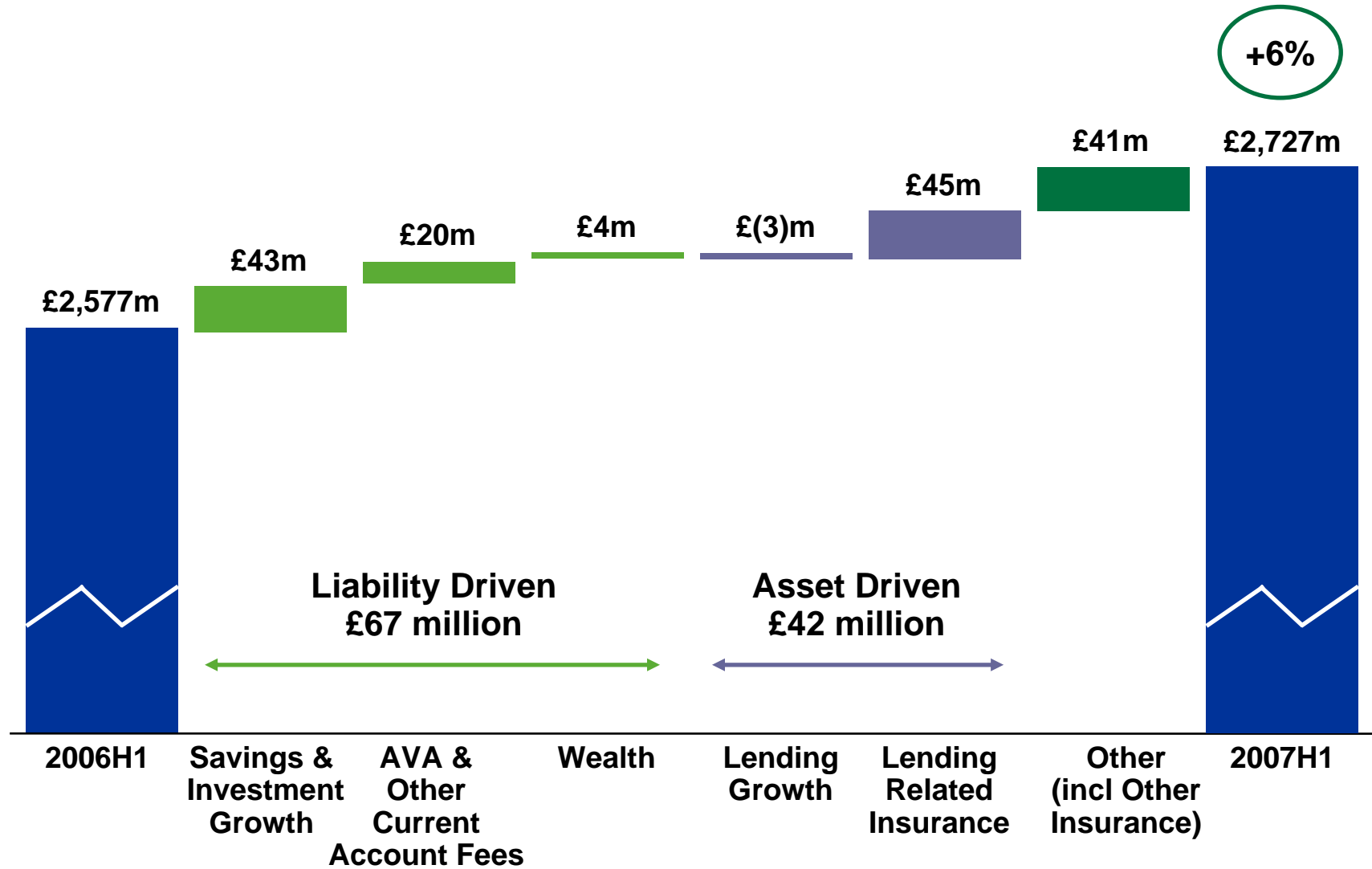
2006H1 2007H1
Average Customer Deposits

Net interest margin reduced



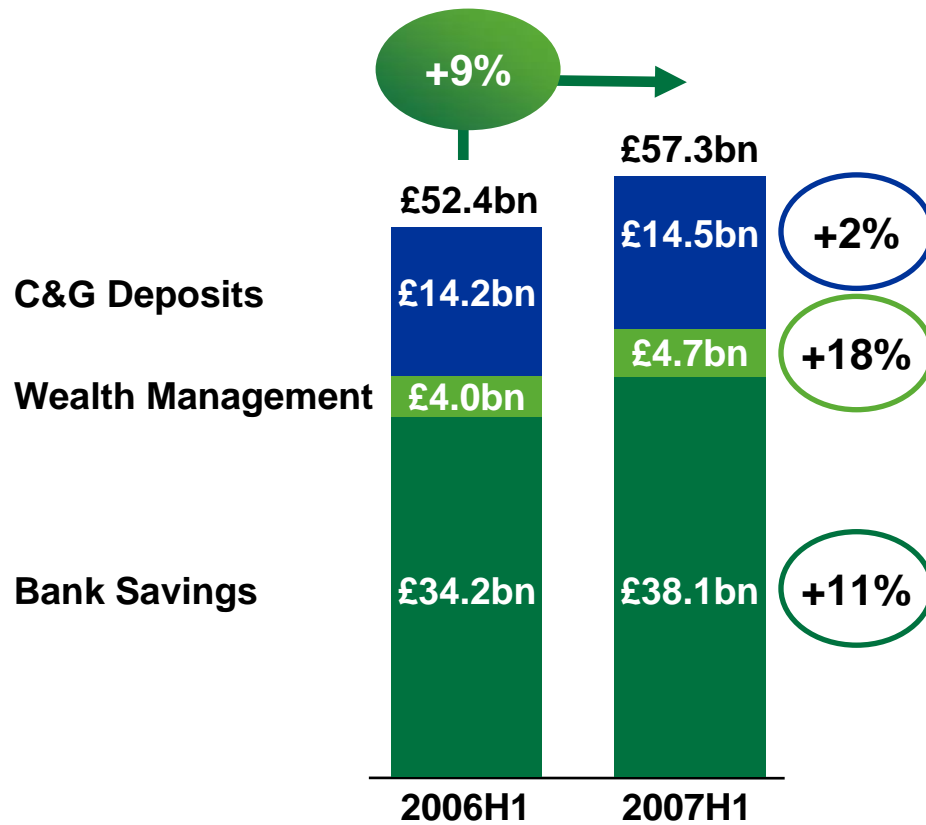
<u>H1-on-H1 Margin Movement</u>	
Mix	(7)bp
Product	(7)bp
Funding	(2)bp
	<hr/>
	(16)bp
	<hr/>

UKRB: income growth



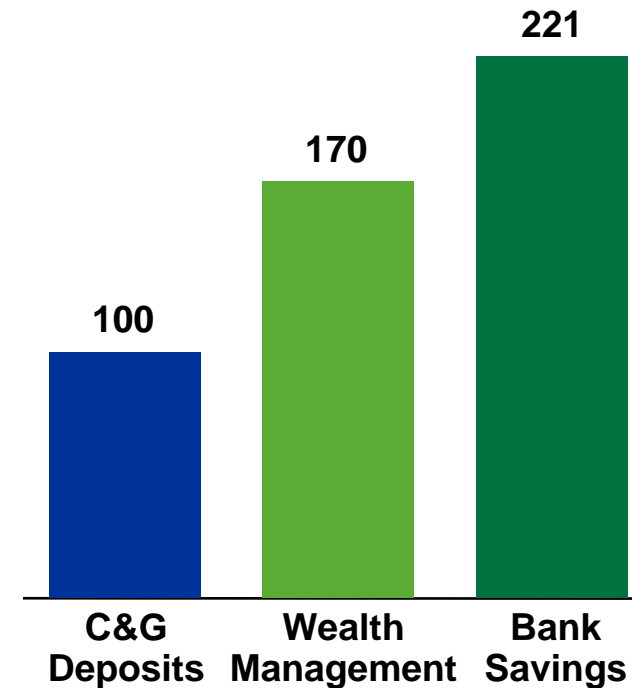
UKRB: focusing on more profitable business areas

Breakdown of Savings Growth

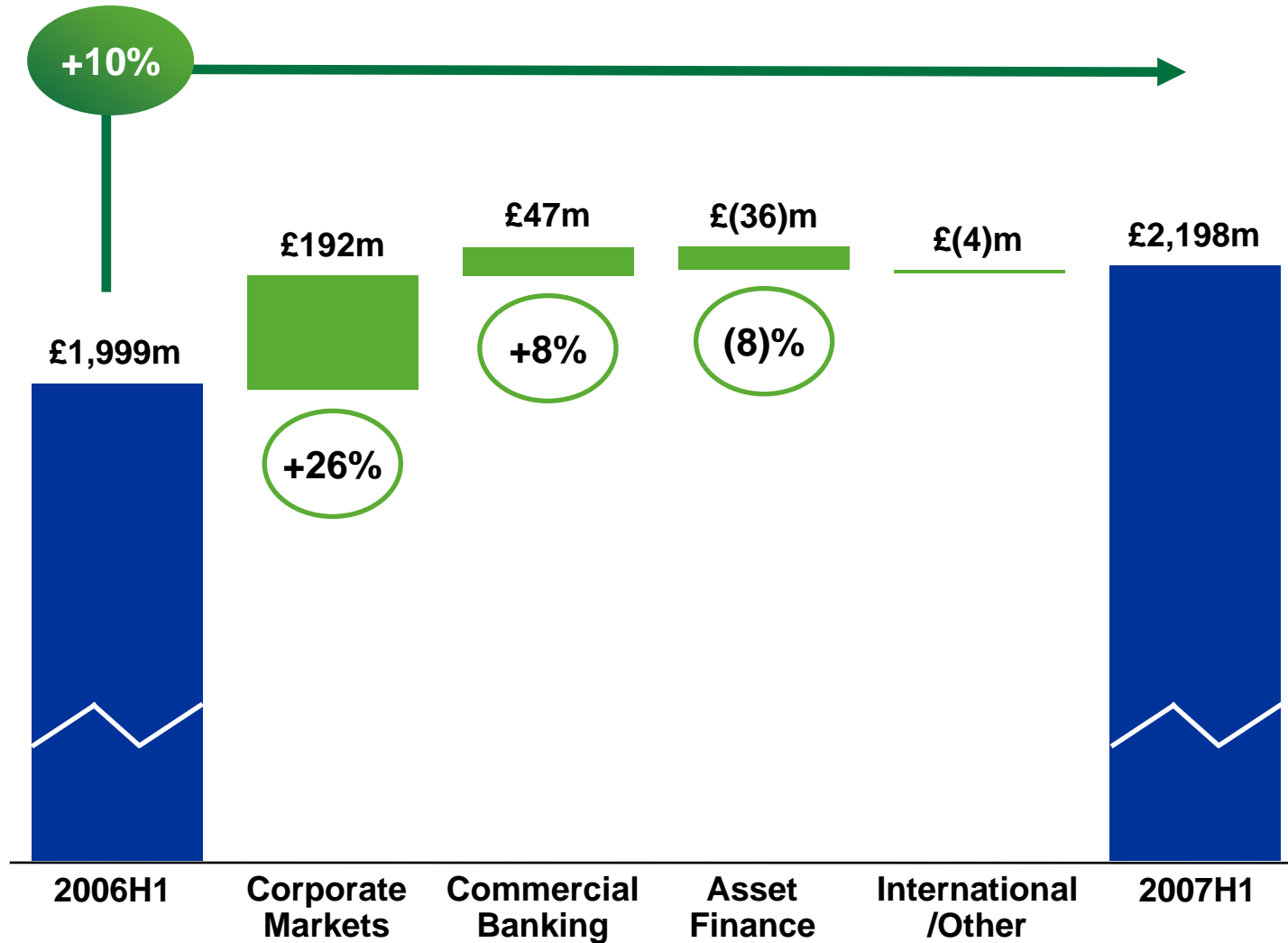


Product Net Interest Margin

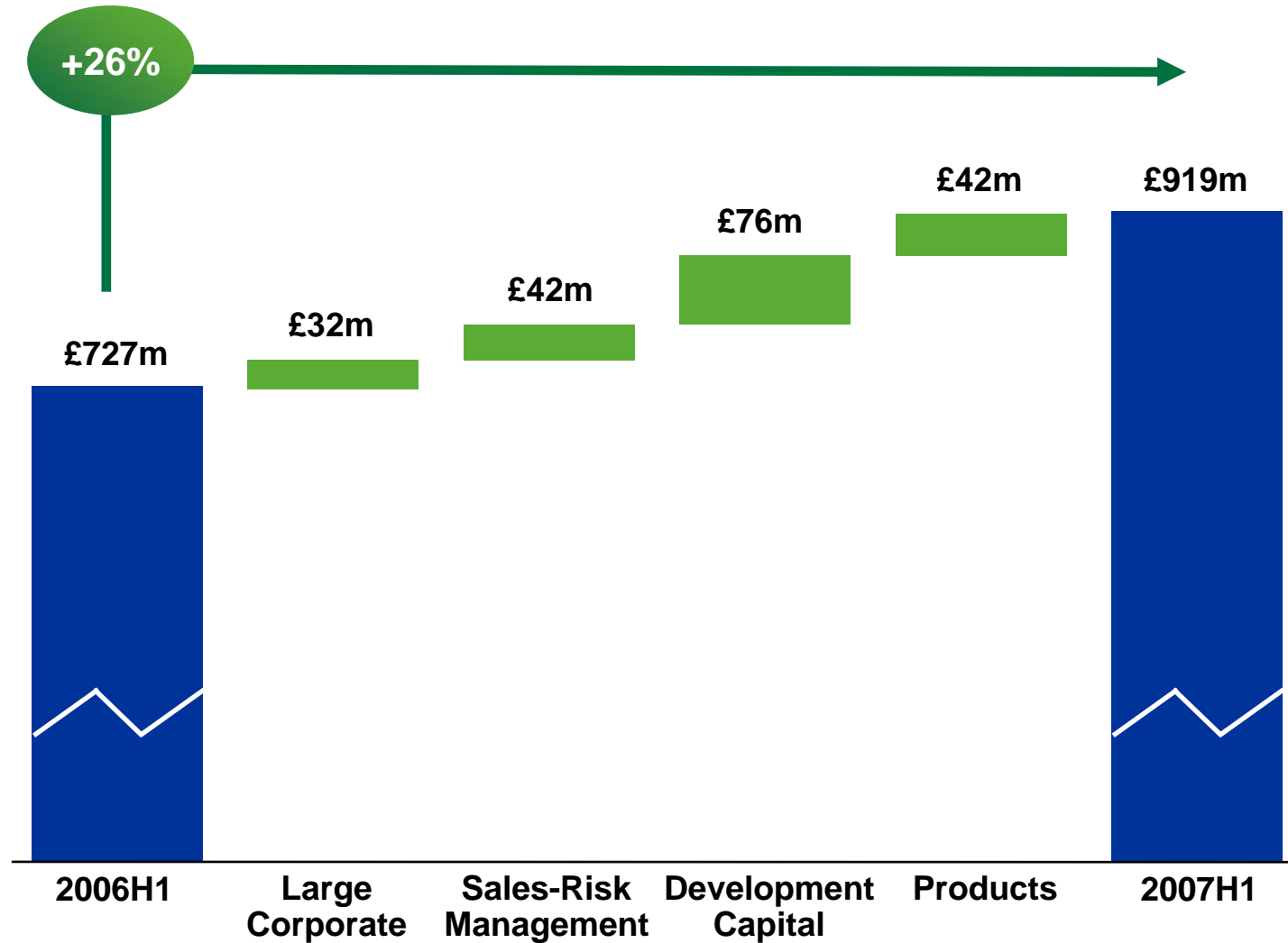
(indexed)



W&IB: components of income growth



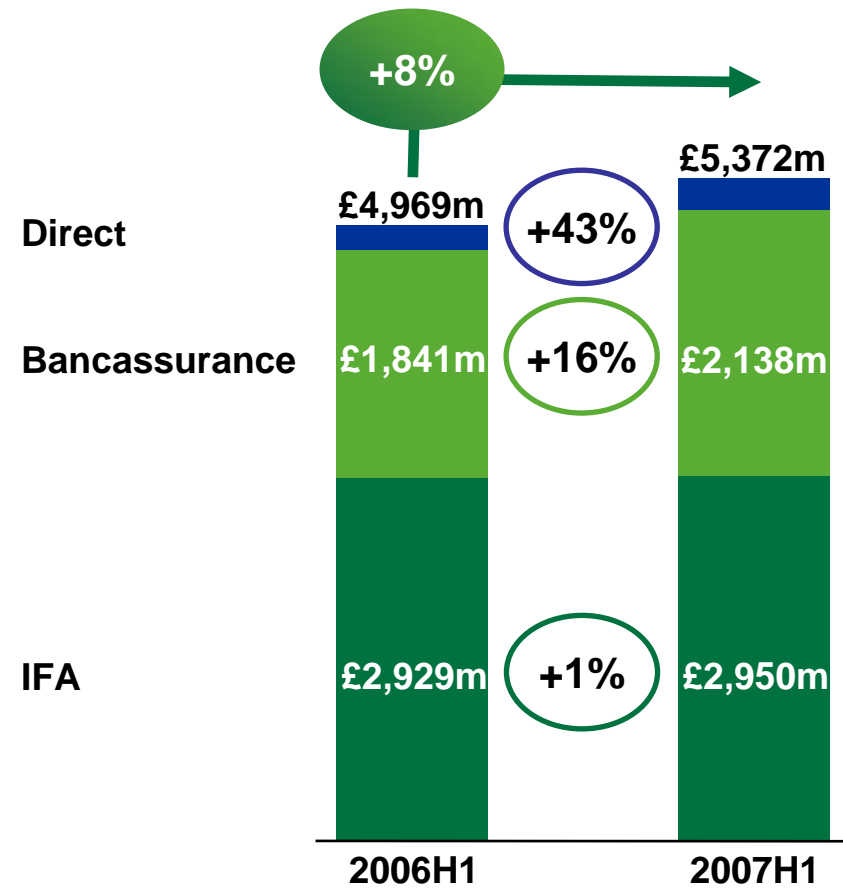
W&IB: developing Corporate Markets revenue streams



I&I: components of growth*

£m	2006H1	2007H1	% Change
New business profit	165	180	9
Existing business	181	194	7
Expected return	69	108	57
	415	482	16
Impact of capital repatriation	15	—	
	430	482	12

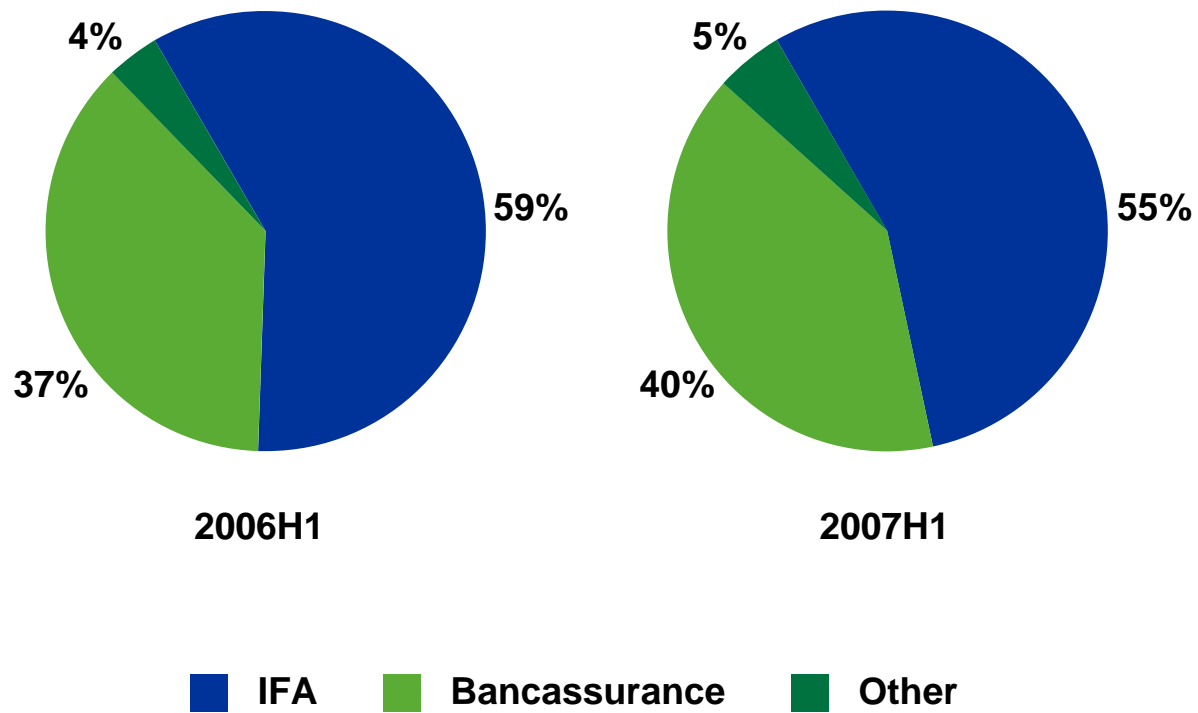
New Business Sales (PVNBP)



* EEV basis, excluding volatility

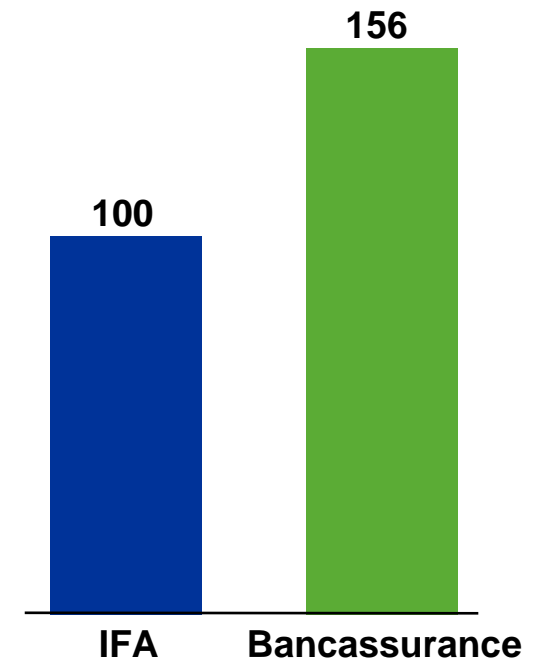
I&I: focusing on more profitable segments

New Business Sales (PVNBP)



New Business Margins

(indexed)

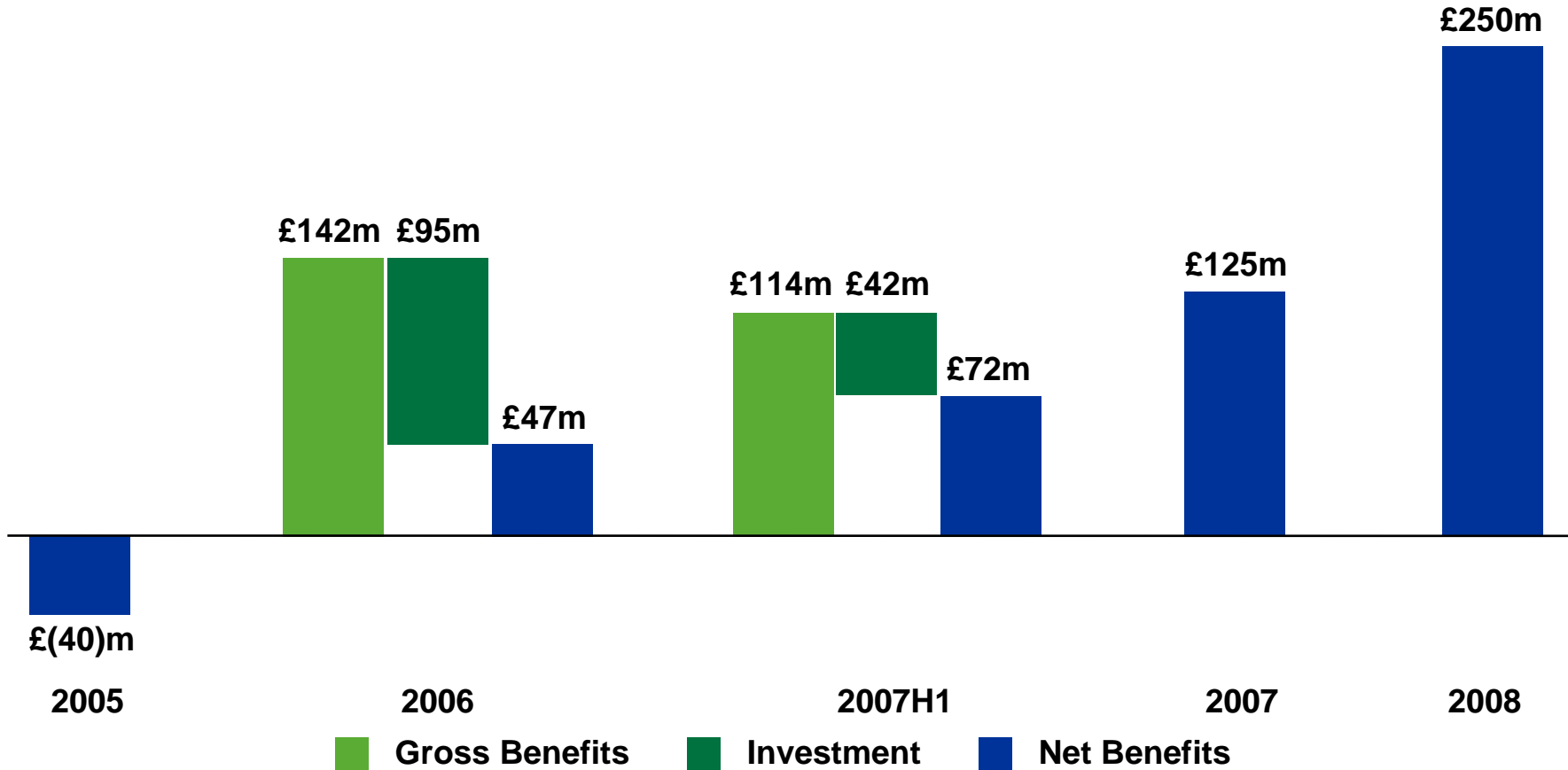


Excellent cost management

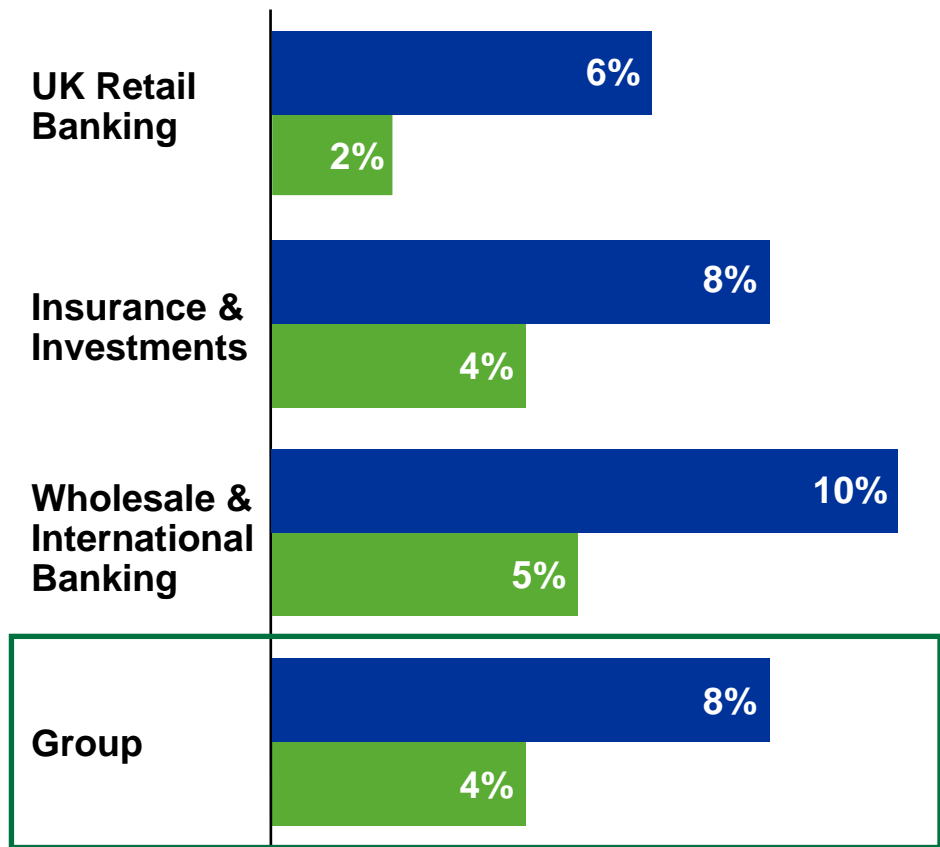
£m	<u>2006H1</u>	<u>2007H1</u>	<u>% Change</u>
UK Retail Banking	1,232	1,261	(2)
Insurance & Investments	312	325	(4)
Wholesale & International Banking	1,072	1,125	(5)
Central group items	(1)	3	
	<u>2,615</u>	<u>2,714</u>	(4)
Insurance grossing adjustments	(5)	10	
Settlement of overdraft claims	–	36	
	<u>2,610</u>	<u>2,760</u>	(6)

Productivity programme remains on track...

... to deliver £250 million pa net benefits in 2008



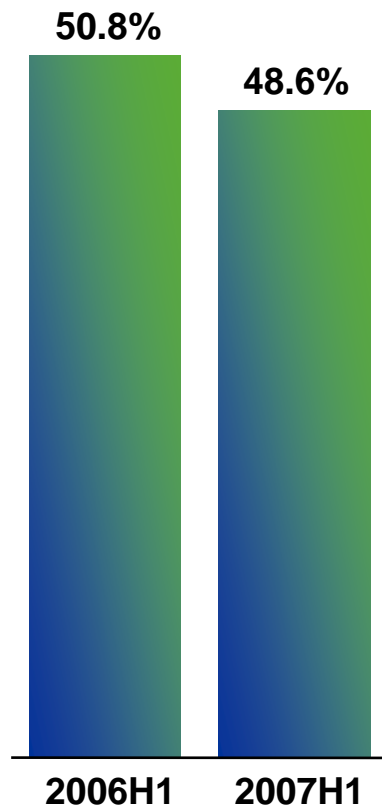
Income growth ahead of costs in all divisions*



C:I ratio improved 160bp

C:I ratio improved 240bp

Group Cost:Income Ratio



Income Costs

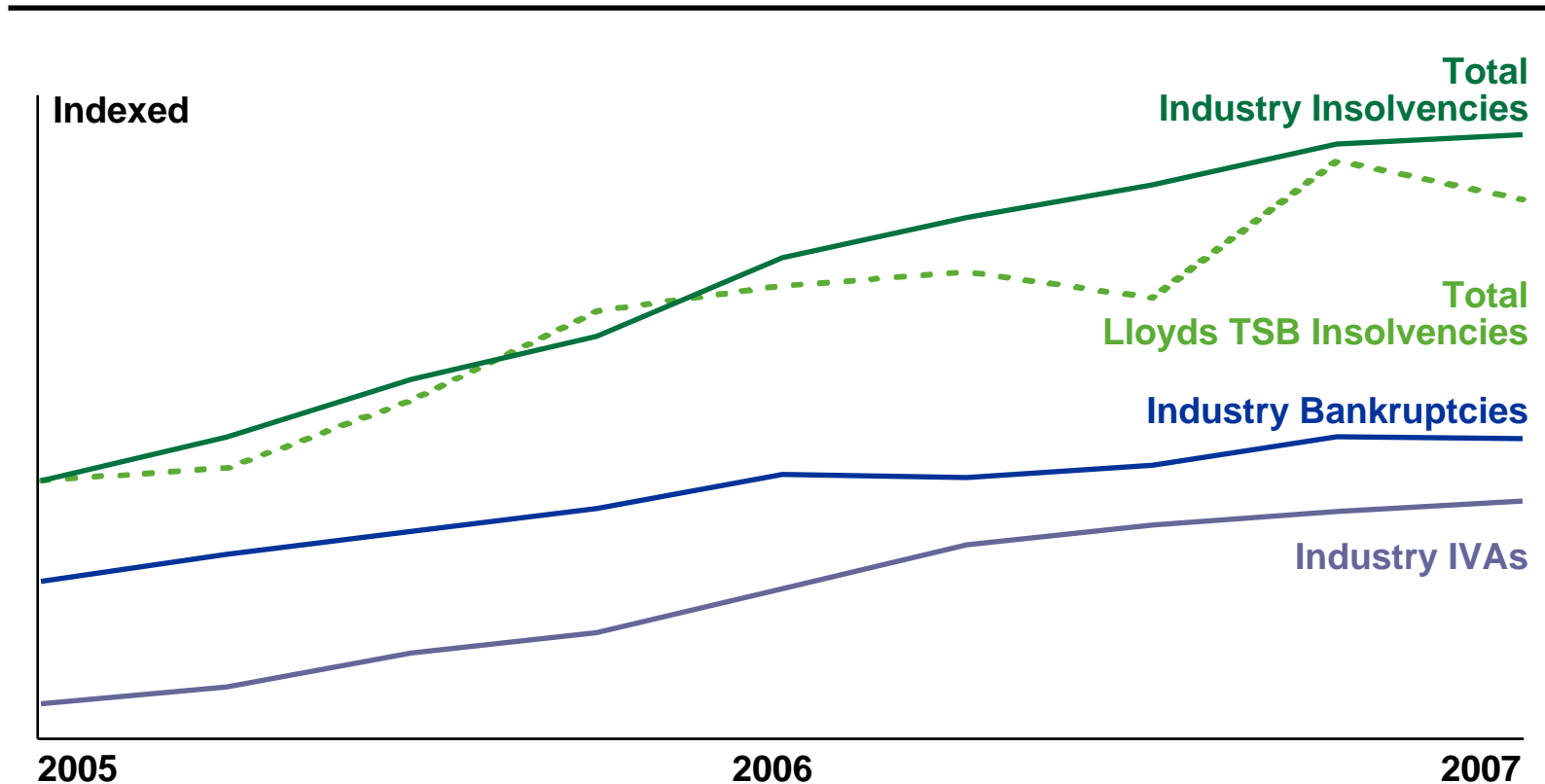
* excluding volatility, insurance grossing adjustments, settlement of overdraft claims and the impact of surplus capital repatriation

Impairment losses on loans and advances

	2006H1 £m	2007H1 £m	Variance %	% of Average Lending	
				2006H1	2007H1
UK Retail Banking	632	627	1	1.23	1.15
– <i>Mortgages</i>	6	5	17	0.01	0.01
– <i>Personal loans/overdrafts</i>	387	352	9	6.18	5.60
– <i>Credit cards</i>	239	270	(13)	6.78	8.14
Wholesale & International Banking	159	182	(14)	0.43	0.43
Central group items	9	–			
	800	809	(1)	0.88	0.81
Impact of 2007 Finance Act	–	28			
Total	800	837	(5)	0.88	0.84

Improving insolvency trends

Insolvency Trends

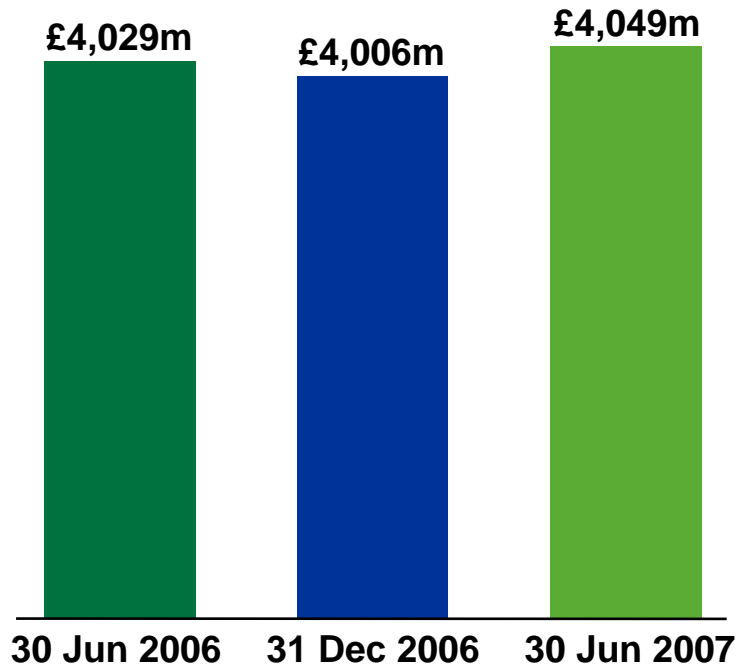


We are experiencing a more favourable insolvency trend than the industry

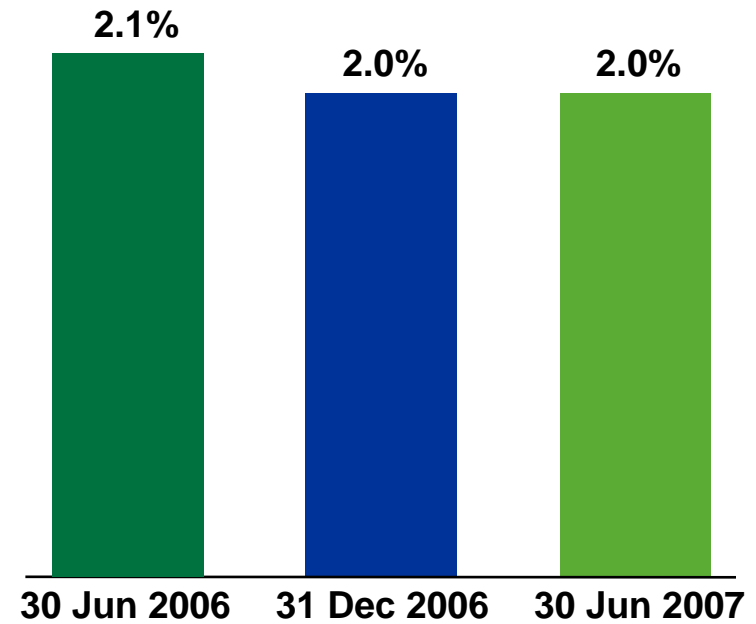
Source: Insolvency Service (seasonally adjusted, data for England, Scotland & Wales)

Asset quality remains satisfactory

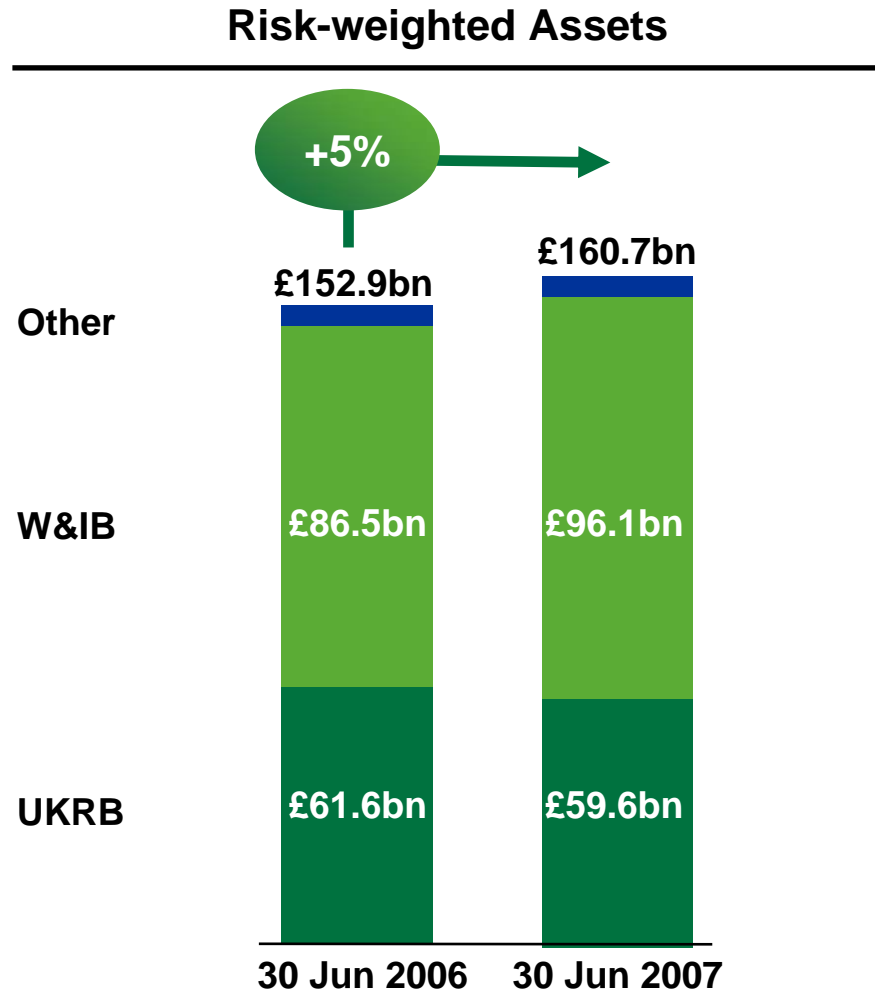
Impaired Assets



Impaired Assets as a Percentage of Total Lending



Capital ratios remain robust



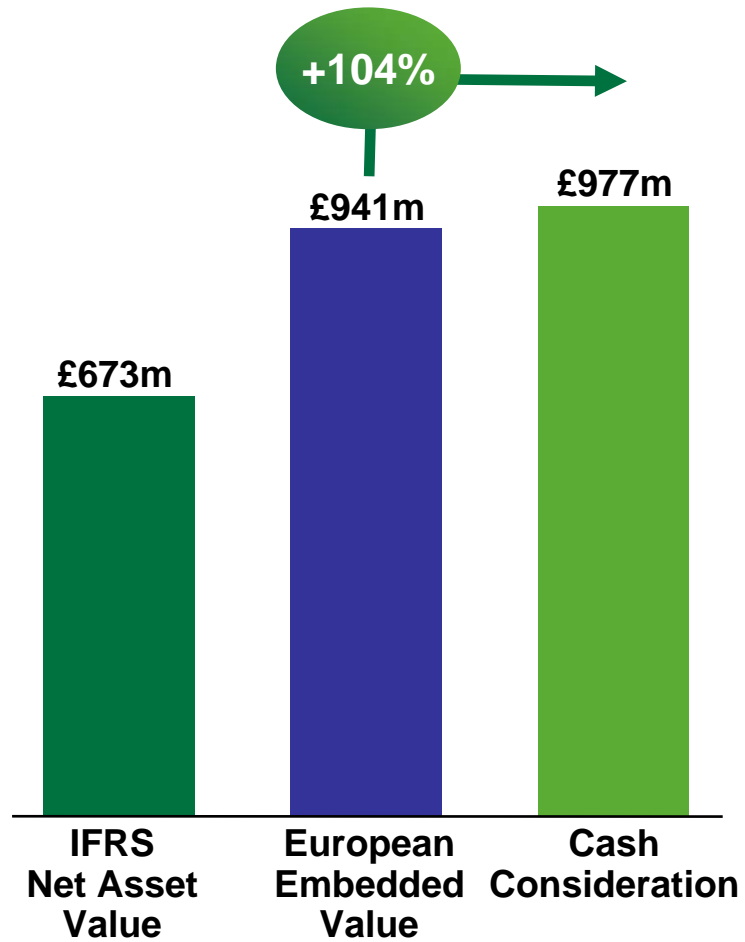
Capital Ratios

	30 Jun 2006	30 Jun 2007
Total capital ratio	10.3%	10.4%
Tier 1 ratio	7.4%	8.1%

Improving our balance sheet management

- **Rigorous application of economic profit in decision making**
- **Mortgage securitisation of > £3 billion**
- **Capital repatriation programme in Scottish Widows**
 - **£600 million in 2007H1, £2.3 billion overall**
- **Good progress on Basel II implementation**

Disposal of Abbey Life



Proforma Impact (30/6/07)

(assuming £963m capital repatriation to Group)

Disposal gain	c £290m*
Tier 1 ratio	+17bps
Total capital ratio	+67bps

* less accrued profits prior to completion, and after deducting disposal costs of £14 million

Improving our balance sheet management

- **Rigorous application of economic profit in decision making**
- **Mortgage securitisation of > £3 billion**
- **Capital repatriation programme in Scottish Widows**
 - **£600 million in 2007H1, £2.3 billion overall**
- **Good progress on Basel II implementation**

Delivering accelerating profit momentum

Continuing to build earnings momentum

- Strong sales; improved revenue growth
- Substantially improved productivity
- Wide positive jaws
- Strong profit growth in each division

Sustaining high returns

- Improving cost:income ratio
- Improving return on risk-weighted assets
- ROE remains high, and improving
- Excellent economic profit growth

Maintaining a robust capital position and dividend

- Capital ratios robust
- Improving dividend cover
- Interim dividend increased by 5%

GROUP RESULTS

2007 Interim Results

31 July 2007

Eric Daniels
Group Chief Executive

2007H1 results in longer term context

Delivering on our strategy Confidence in future delivery

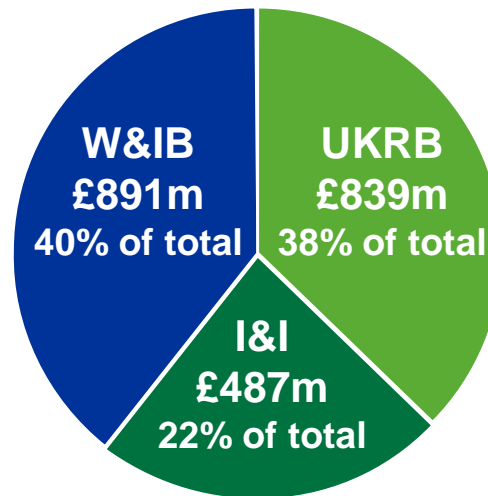
- **Improved top line growth**
 - Still big opportunity in our franchises
- **Structurally improving productivity**
 - Positive jaws *and* investment in future growth
- **Double-digit economic profit growth**
 - Key to strong shareholder returns
- **Growing a strong dividend**
 - Capital efficient future growth

Strong momentum across all three Divisions

Wholesale & International

- Income up 10%
- Costs up 5%
- Trading surplus up 16%
- PBT up 16%

2007H1 PBT*



UKRB

- Income up 6%
- Costs up 2%
- Trading surplus up 9%
- PBT up 18%

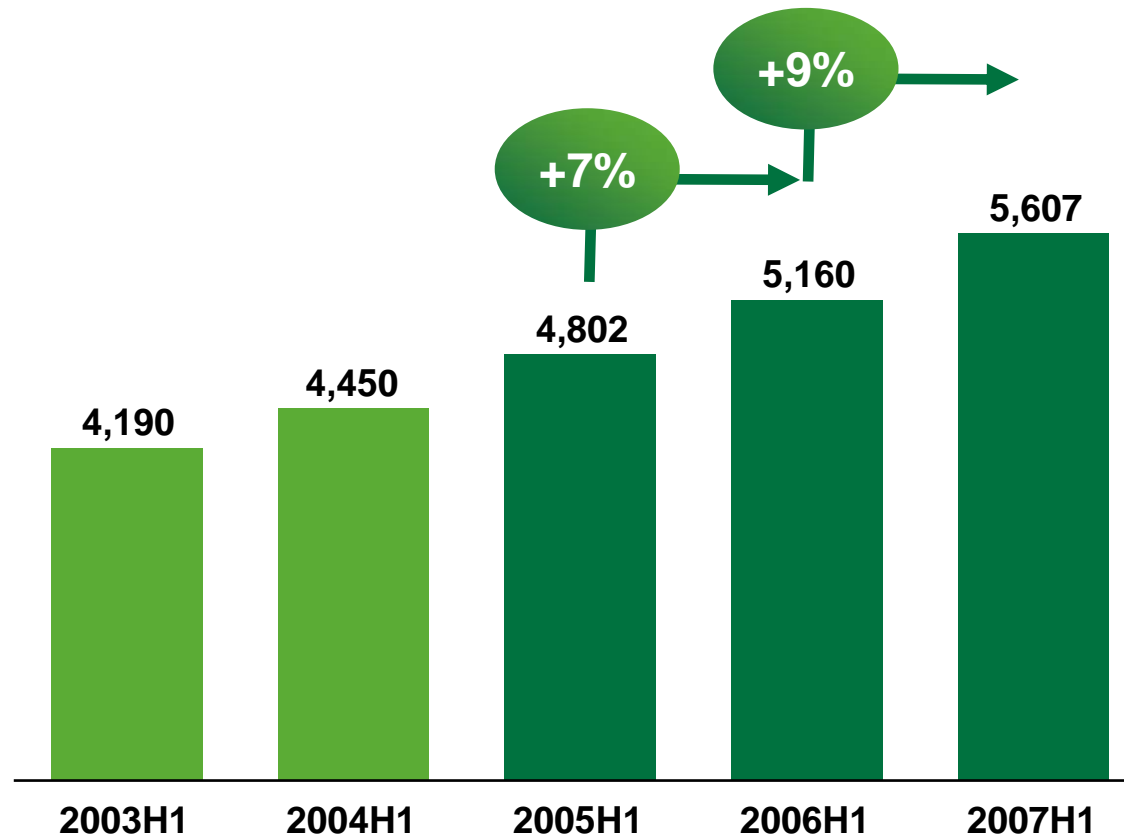
Insurance & Investments

- Income up 8%
- Costs up 4%
- Trading surplus up 11%
- PBT up 11%

* excluding central group items, volatility, insurance grossing, settlement of overdraft claims, and the impact of I&I surplus capital repatriation to Group and the Finance Act

Improved income growth

Income (£m)*



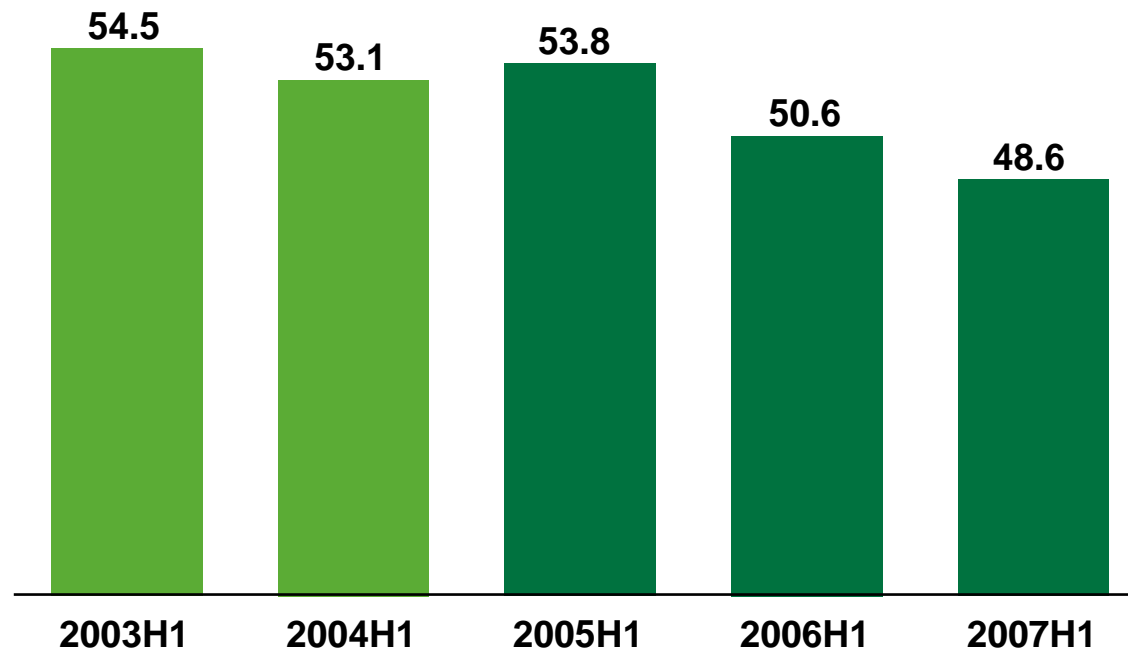
* 2003-4 figures on a UK GAAP basis excluding discontinued operations. 2005-7 figures are on a Full IFRS basis. All figures exclude volatility



Lloyds TSB

Sustained productivity improvement

Cost:income ratio (%)*



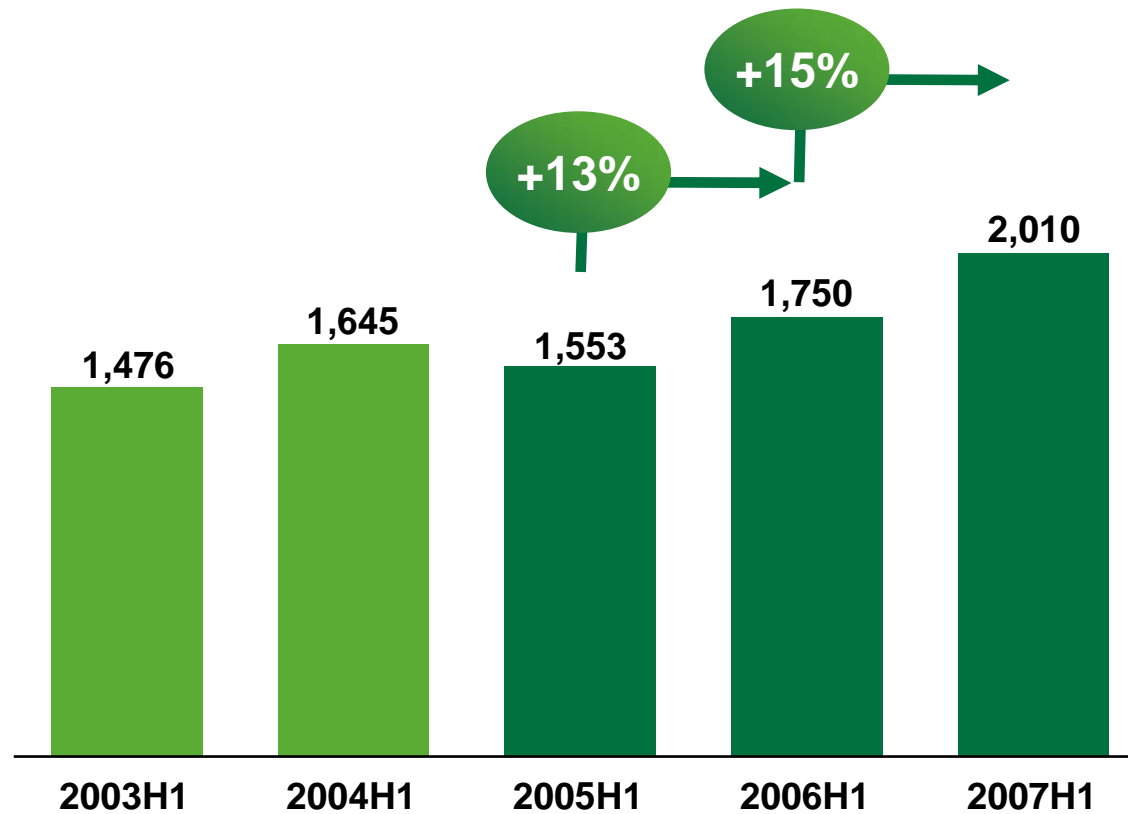
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Lloyds TSB

Accelerating profit growth

PBT (£m)*



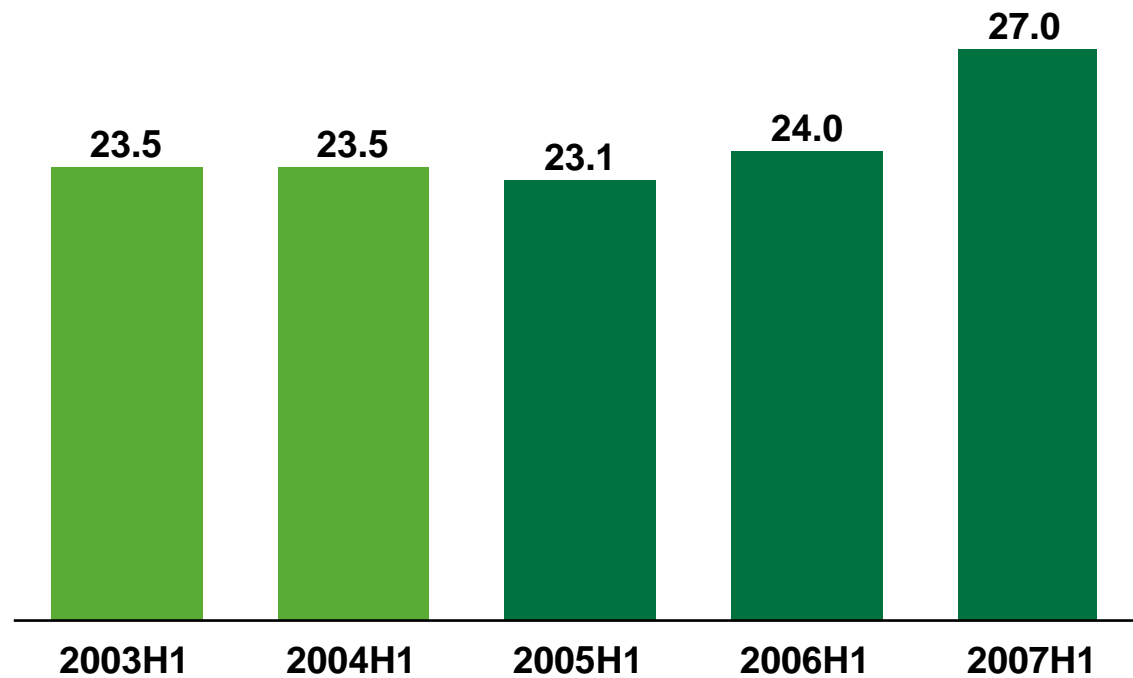
* 2003-4 figures on a UK GAAP basis excluding discontinued operations. 2005-7 figures are on a Full IFRS basis. All figures exclude volatility



Lloyds TSB

Consistently high returns

RoE (%)*



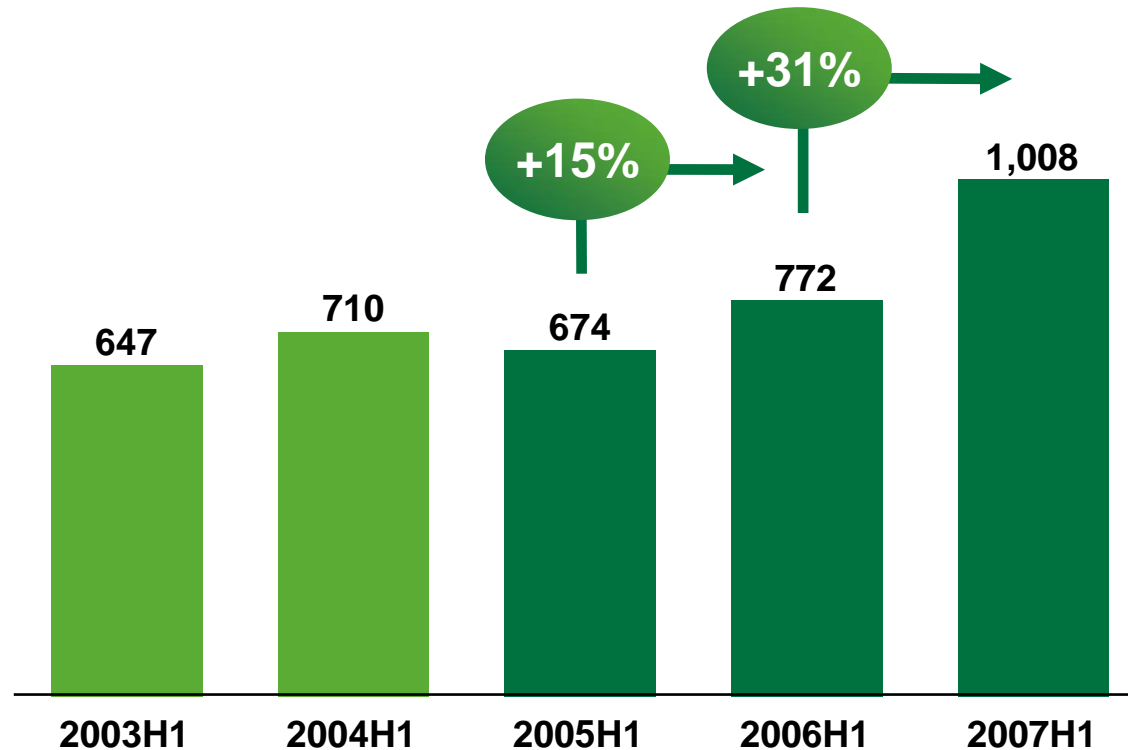
* 2003-4 figures on a UK GAAP basis excluding discontinued operations. 2005-7 figures are on a Full IFRS basis. All figures exclude volatility



Lloyds TSB

Double digit economic profit growth

Economic profit (£m)*



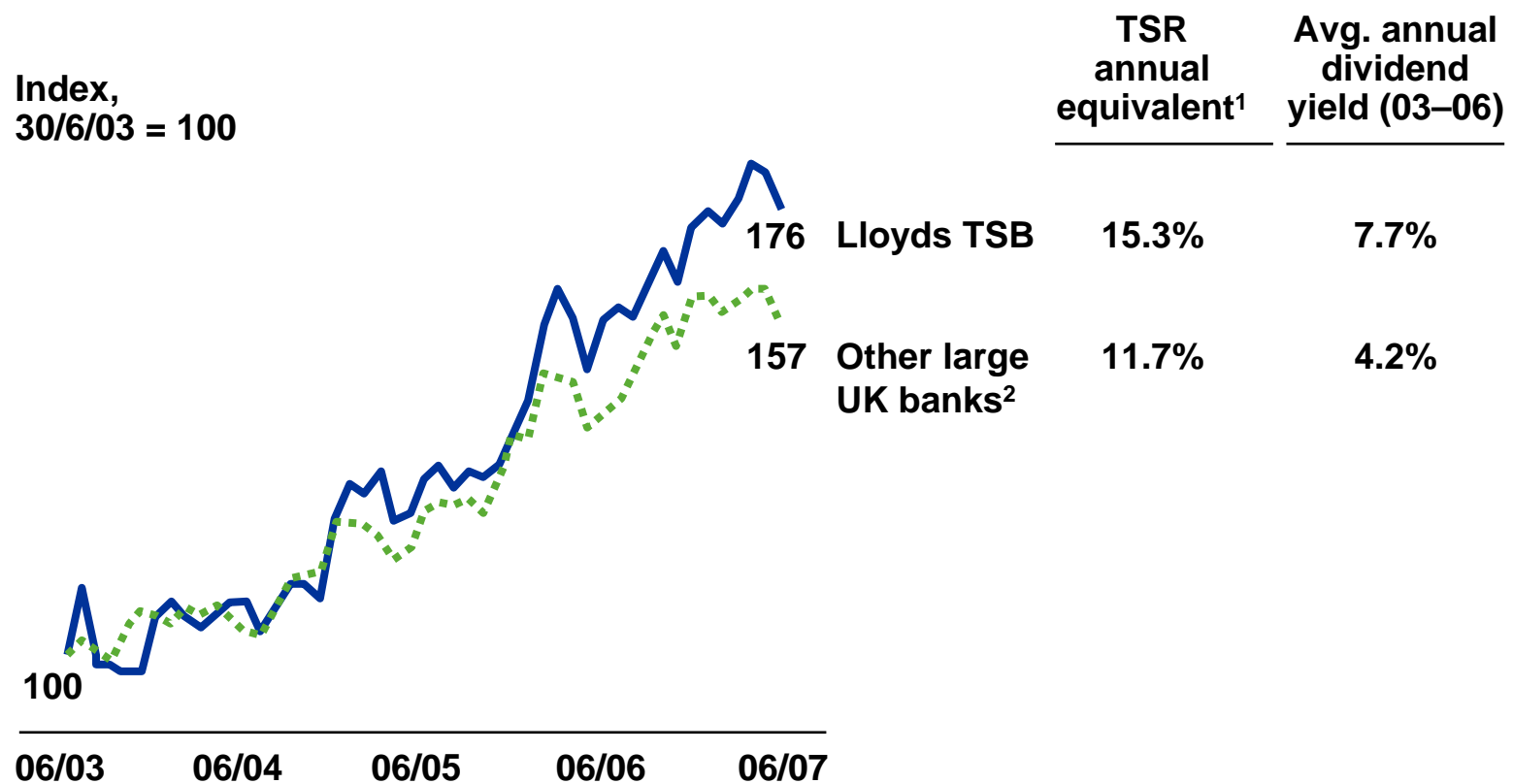
* 2003-4 figures on a UK GAAP basis excluding discontinued operations. 2005-7 figures are on a Full IFRS basis. All figures exclude volatility



Lloyds TSB

Strong returns to shareholders

Total shareholder returns



Source: Bloomberg

¹ as at 30 June 2007; ² arithmetic average of Barclays, HBOS, HSBC and RBS

Dividend growth restored

Past policy: maintain strong dividend

- **Grow into our dividend**
 - **Build stable, predictable, lower risk business model**
 - **Focus on capital efficient growth**
- **Grow cover over time**

Future policy: progressive strong dividend

- **Grow our dividend**
 - **Leverage stable, predictable, lower risk business model**
 - **Continue to focus on capital efficient growth**
- **Grow cover over time**

Delivering on our strategy

Delivering what we said

- **We have significant potential in our franchises**
- **We can structurally improve our productivity**
- **We can manage capital to fund growth**
- **We can put in place the capabilities and processes to achieve and sustain growth**

Still significant opportunities for future growth

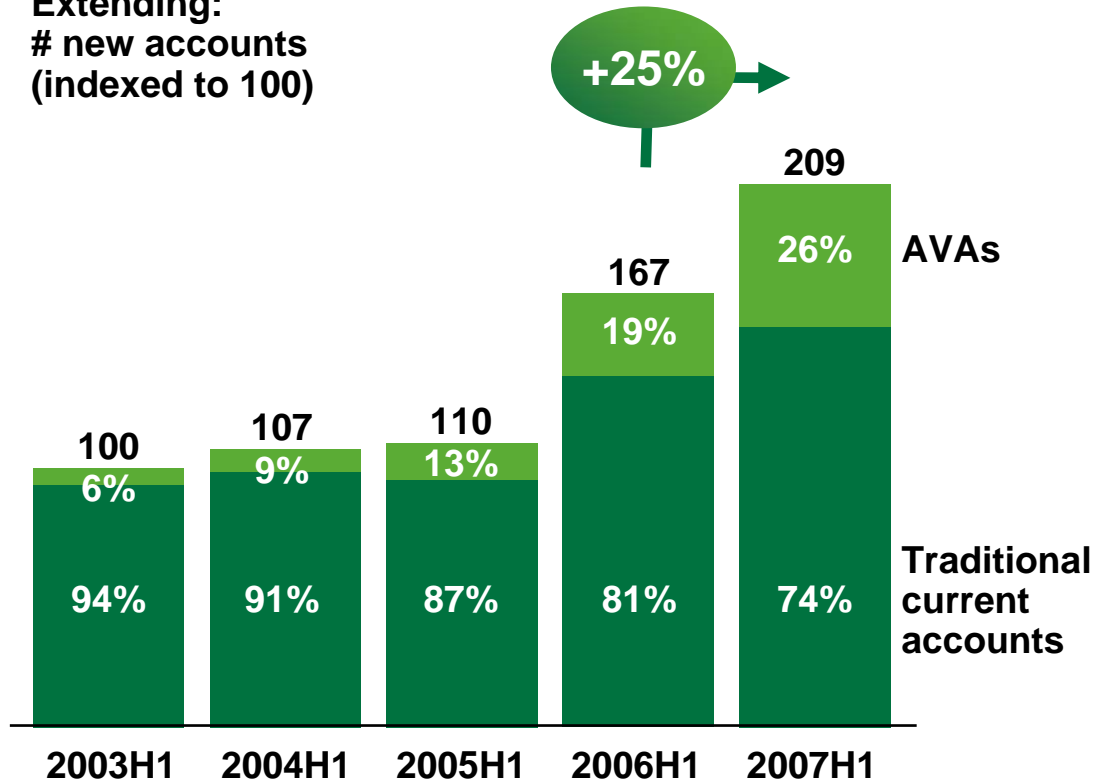


Lloyds TSB

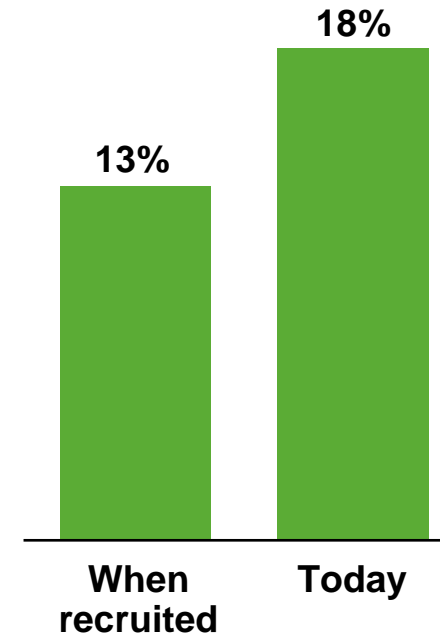
Realising the potential in our franchises

Example: extending and deepening the franchise, especially in higher value AVAs

Extending:
new accounts
(indexed to 100)



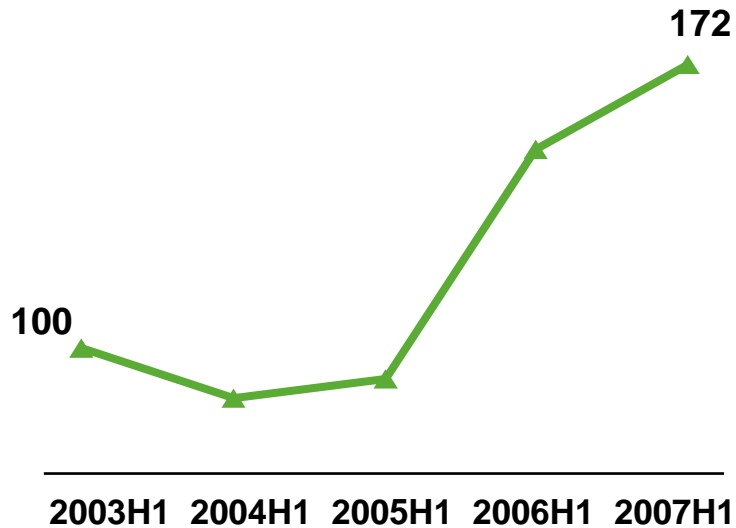
Deepening:
2005 H1 cohort, %
customers with AVA



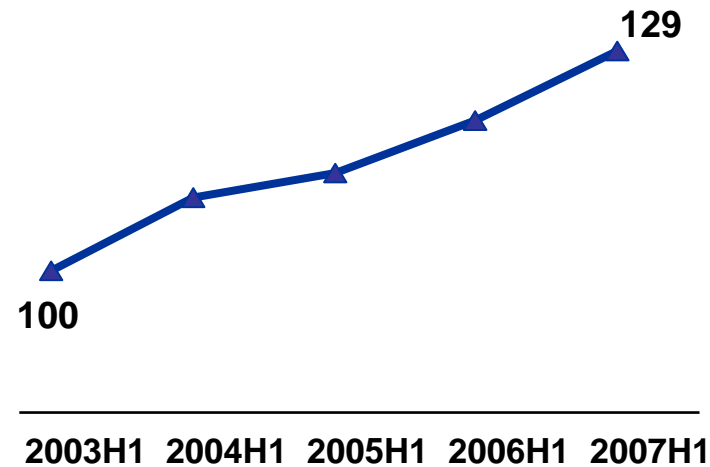
Realising the potential in our franchises

Example: capturing the savings and investment opportunity within our franchise

I&I bancassurance sales¹
(indexed to 100)



Net inflows of savings balances²
(indexed to 100)



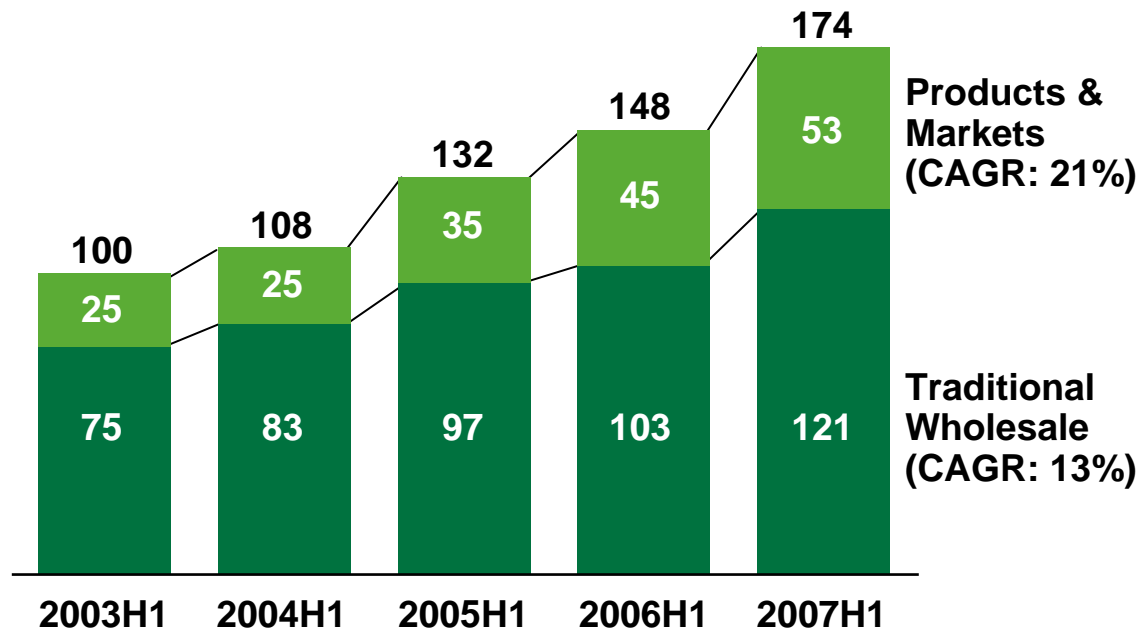
¹ sales in APE as PVNBP only available 2006H1 and 2007H1

² includes bank savings, Wealth Management and C&G savings

Realising the potential in our franchises

Example: growing Wholesale businesses through new product areas and improved cross sell

Corporate & Commercial businesses income
(indexed to 100)



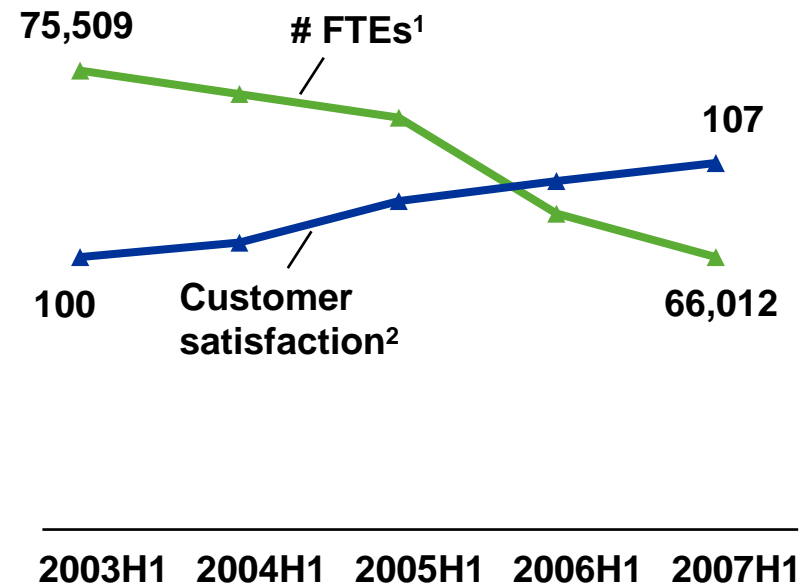
- Wholesale cross-sell¹ up 47% since 2005

¹ income from referrals between W&IB business units

Structurally improving our productivity

Example: managing expenses and improving customer service

- Reduced error rates through extending 'sigma'
 - Extended 'lean' manufacturing programme
- ▼
- Estimated annual cost savings: £250–350 million



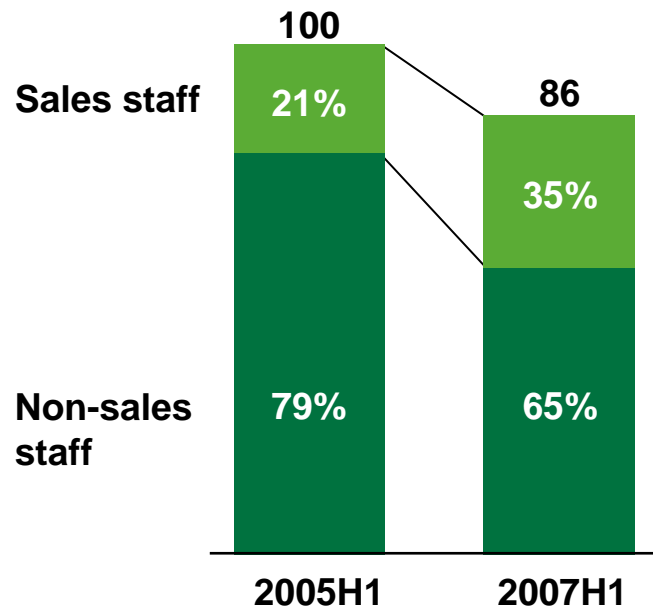
¹ on a continuing basis

² average CARE scores for UKRB, Commercial, Corporate Banking (from 2003H2), Scottish Widows and General Insurance (from 2003H2) indexed to 100

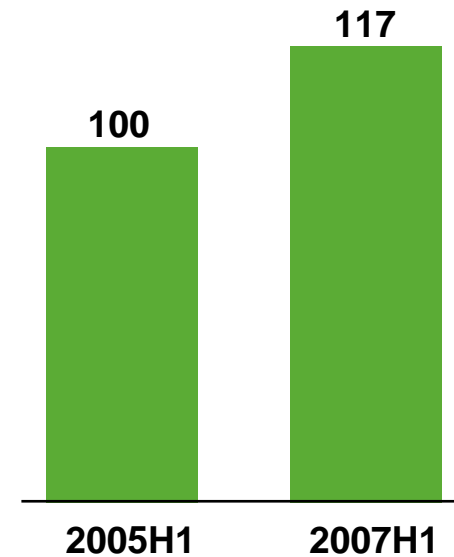
Structurally improving our productivity

Example: more efficient branch processes driving sales performance

**UKRB # staff
(indexed to 100)**



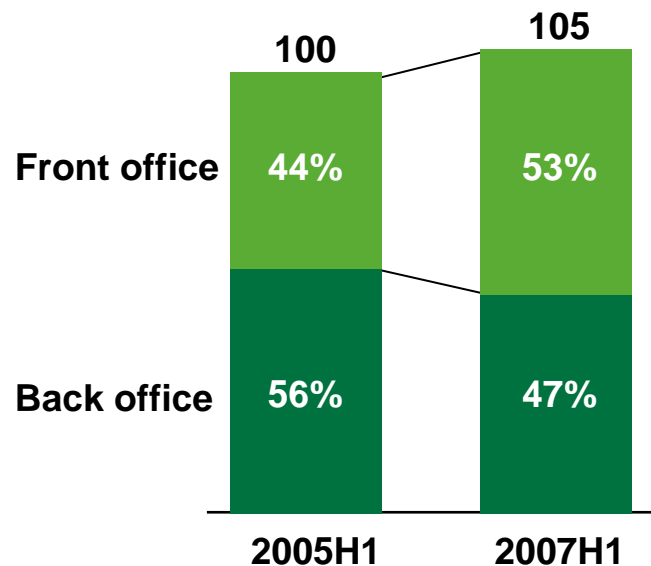
**UKRB sales / sales staff
(indexed to 100)**



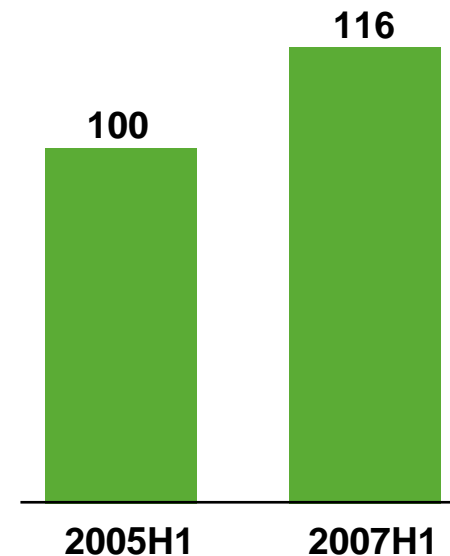
Structurally improving our productivity

Example: investing in people and productivity in Corporate Markets

Corporate Markets # staff
(indexed to 100)



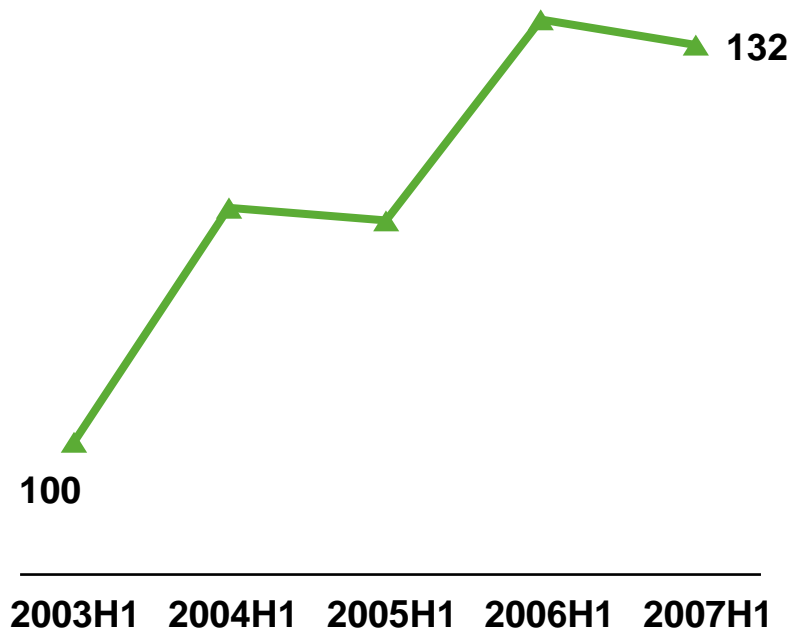
Corporate Markets income per
front office staff
(indexed to 100)



Investing in our businesses

Continuing to invest in our business...

Investment¹
(indexed to 100)



...and investing in people

Examples

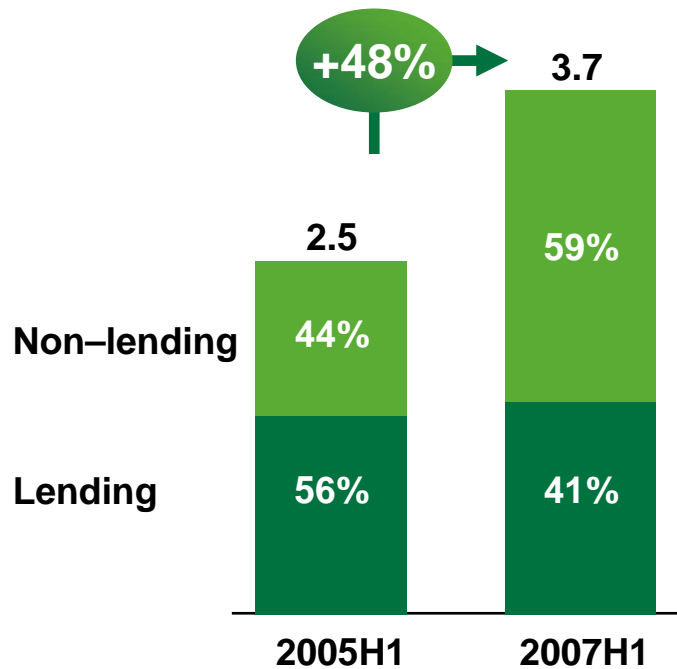
- 42% increase in Corporate Markets front office staff since 2004
- 150% increase in branch staff accredited to perform sales roles since November 2006
- 19% increase in senior risk management specialists since 2006H1

¹ includes Revenue investment, Capital investment and above-the-line marketing spend

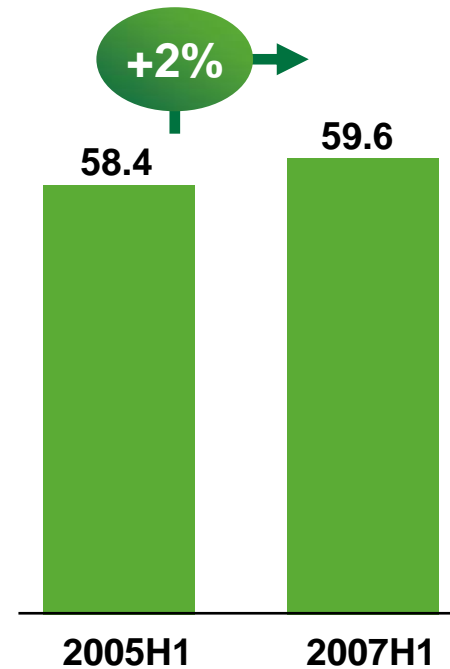
Managing capital to fund growth

Example: capturing the Savings & Investments opportunity drives capital efficient growth

of UKRB sales (m)



UKRB RWAs (£bn)¹

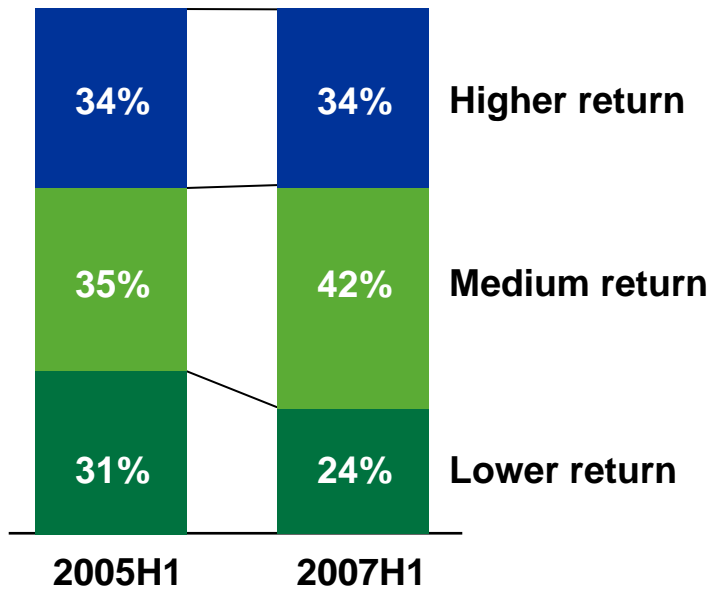


¹ post 2007 securitisation. Pre-securitisation: 2007H1 RWAs £66.2bn, 13% increase

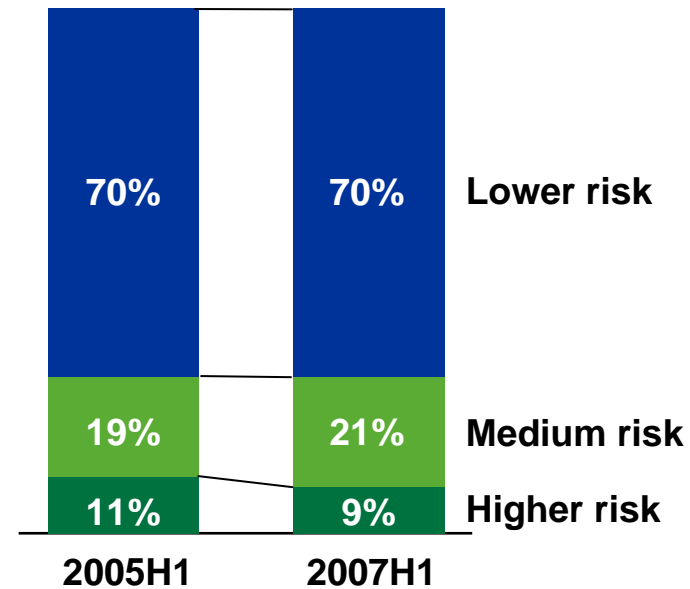
Managing capital to fund growth

Example: redirecting capital towards more profitable business in Wholesale and maintaining risk profile

Corporate & Commercial businesses RWAs



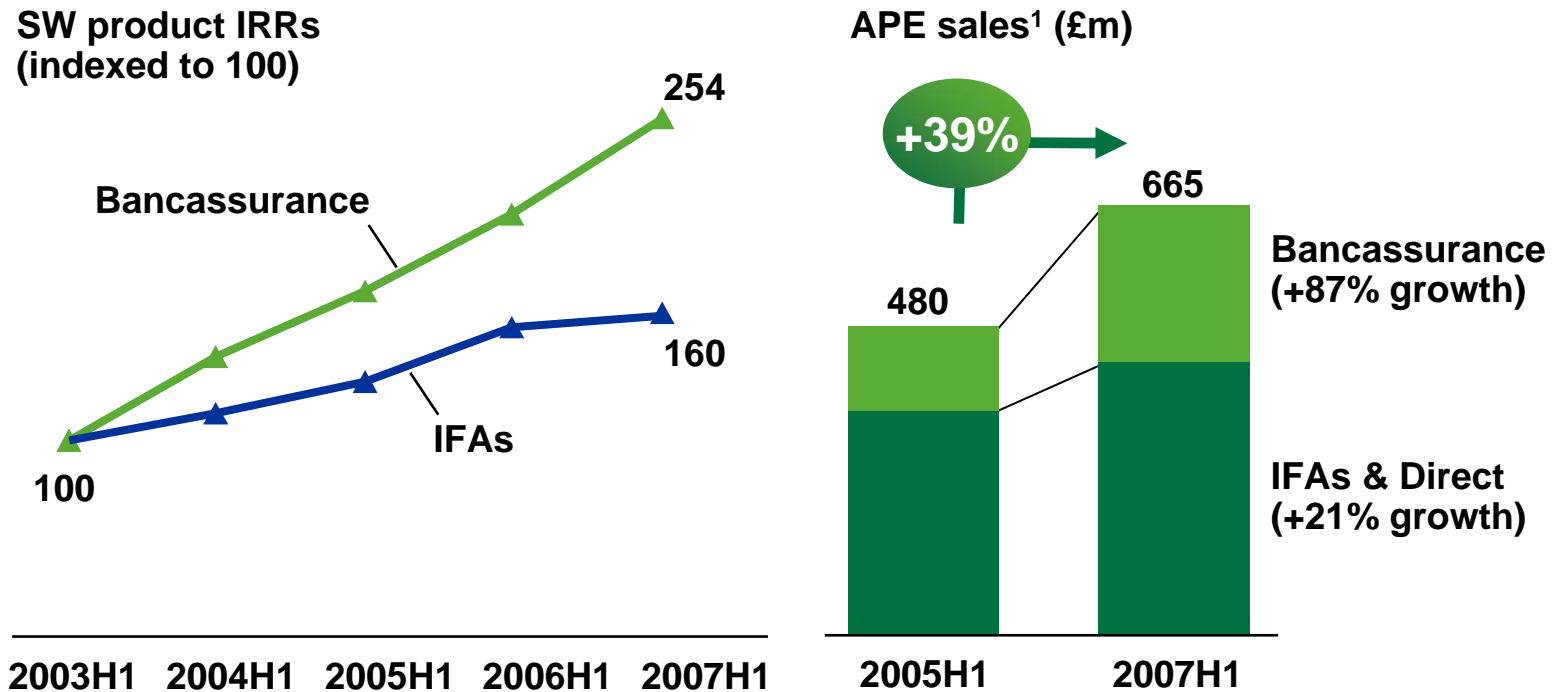
Corporate & Commercial businesses assets



Managing capital to fund growth

Example: Scottish Widows has achieved profitable growth and capital release

Focus on more capital efficient distribution channels



¹ sales in APE as PVNBP only available 2006H1 and 2007H1; includes managed funds

Headroom for growth

Strong customer franchises

- Improving customer service
- Understanding and meeting customer needs
- Increasing sales capacity

Continuous productivity growth

- Applying 'lean' and other productivity techniques
- Creating room for increased investment

Capital efficiency

- Active balance sheet management
- Rigorous application of economic profit disciplines

2007H1 results in longer term context

Delivering on our strategy

- **Improved top line growth**
- **Structurally improving productivity**
- **Double-digit economic profit growth**
- **Growing a strong dividend**

Confidence in future delivery

Forward looking statements

This document is a summary only of certain information contained in the announcement dated 31 July 2007 and should be read in conjunction with the full text of the announcement.

This document contains forward looking statements with respect to the business, strategy and plans of the Lloyds TSB Group, its current goals and expectations relating to its future financial condition and performance. 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 results may differ materially from the results expressed or implied in these forward looking statements as a result of a variety of factors, including UK domestic and global economic and business conditions, risks concerning borrower credit quality, market related risks such as interest rate risk and exchange rate risk in its banking business and equity risk in its insurance businesses, changing demographic trends, unexpected changes to regulation, the policies and actions of governmental and regulatory authorities in the UK or jurisdictions outside the UK, including other European countries and the US, changes in customer preferences, competition and other factors. Please refer to Lloyds TSB Group plc's latest Annual Report on Form 20-F filed with the US Securities and Exchange Commission and to any subsequent reports furnished by the Group to the US Securities and Exchange Commission or to the London Stock Exchange. The forward looking statements contained in this document are made as at the date of the announcement, and the Group undertakes no obligation to update any of its forward looking statements.