

GROUP RESULTS

2008 Interim Results 30 July 2008

Sir Victor Blank
Chairman

Chairman's overview

- **Strong operating and financial performance**
- **Good growth potential**
- **Increasing market share and profitability**
- **Dividend increased by 2% to 11.4p per share**

A proven business model
Consistent execution

GROUP RESULTS

2008 Interim Results 30 July 2008

Tim Tookey
Acting Group Finance Director

A strong underlying performance*

£m	2007H1	2008H1	% Change
Statutory profit before tax	1,993	599	(70)
Volatility			
– Insurance	(9)	505	
– Policyholder interests	63	289	
US dollar payments related provision	–	180	
Settlement of overdraft claims	36	–	
Discontinued businesses	(146)	–	
Profit before tax – continuing businesses*	1,937	1,573	(19)
Market dislocation	–	585	
Underlying profit before tax	1,937	2,158	11

* Continuing businesses, excluding volatility, results of discontinued operations, provision in respect of certain historic US dollar payments, and settlement of overdraft claims

A strong underlying performance*

£m	2007H1	2008H1	% Change
Total income, net of insurance claims	5,392	5,899	9
Expenses	(2,618)	(2,750)	(5)
Trading surplus	2,774	3,149	14
Impairment	(837)	(991)	(18)
Profit before tax	1,937	2,158	11
Earnings per share	25.8p	27.0p	5
Economic profit	£951m	£1,013m	7
Post-tax return on equity	26.0%	26.8%	

* Continuing businesses, excluding volatility, market dislocation, provision in respect of certain historic US dollar payments, and settlement of overdraft claims

Key performance drivers

Income

- Strong liability growth
- Continued asset momentum, particularly in high quality mortgage and corporate lending
- Margin improving

Cost

- Continued strong cost disciplines
- Wide positive jaws
- Productivity programme on track to deliver £250m net cost benefits

Impairment

- Asset quality remains satisfactory
- Retail asset quality ratio better than 2007H1

Capital

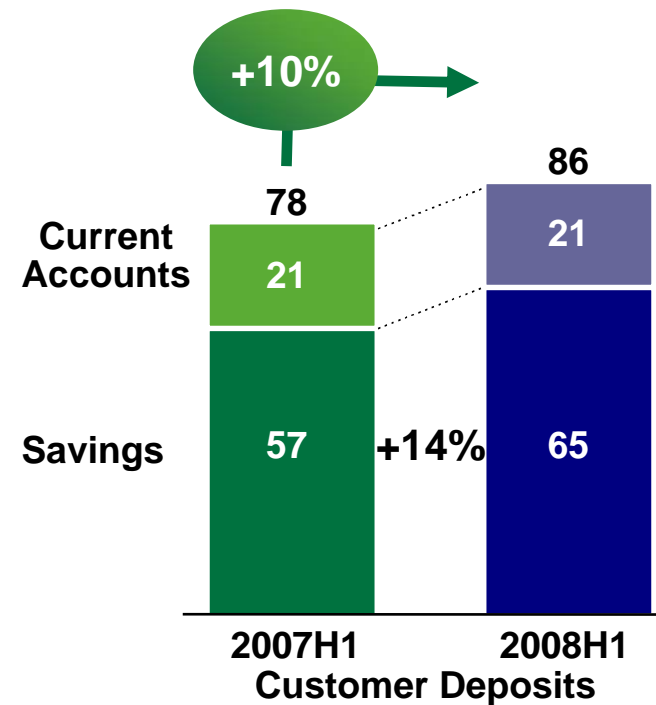
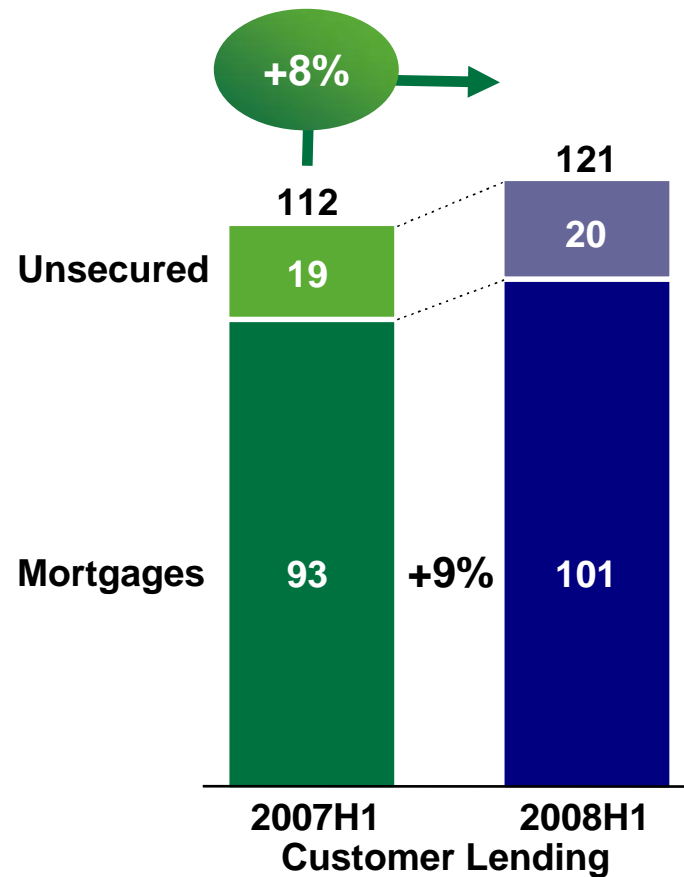
- Capital efficiency continues to improve
- Capital ratios robust

Funding

- Strong customer deposit base
- Continue to fund very successfully, at market leading rates

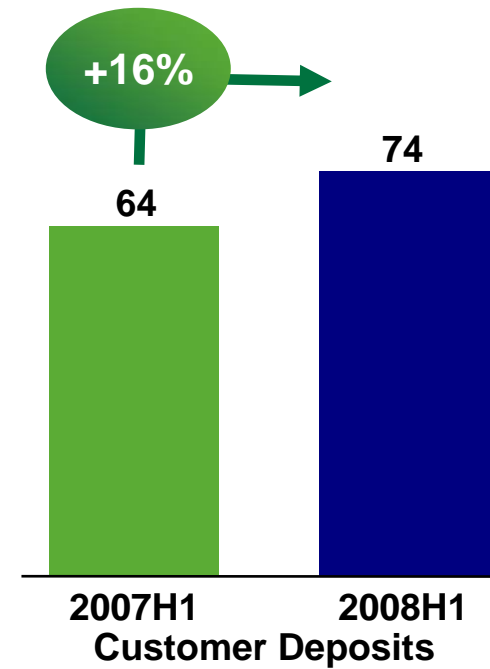
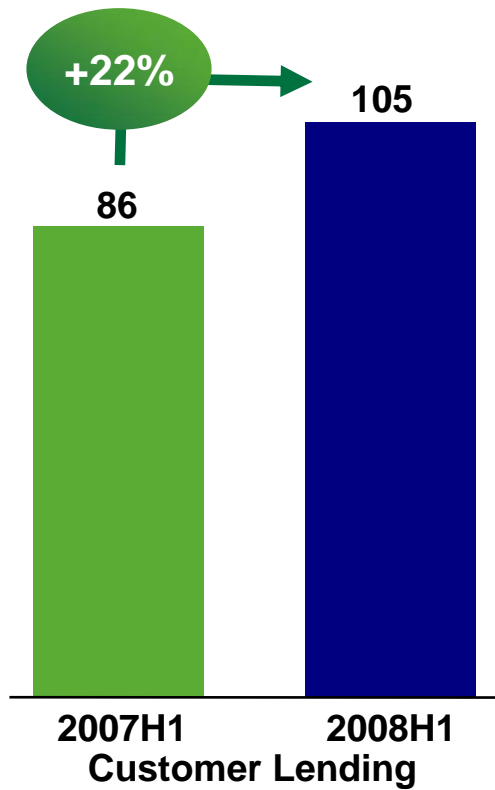
Strong customer lending and deposit growth

UK Retail Banking (£bn)

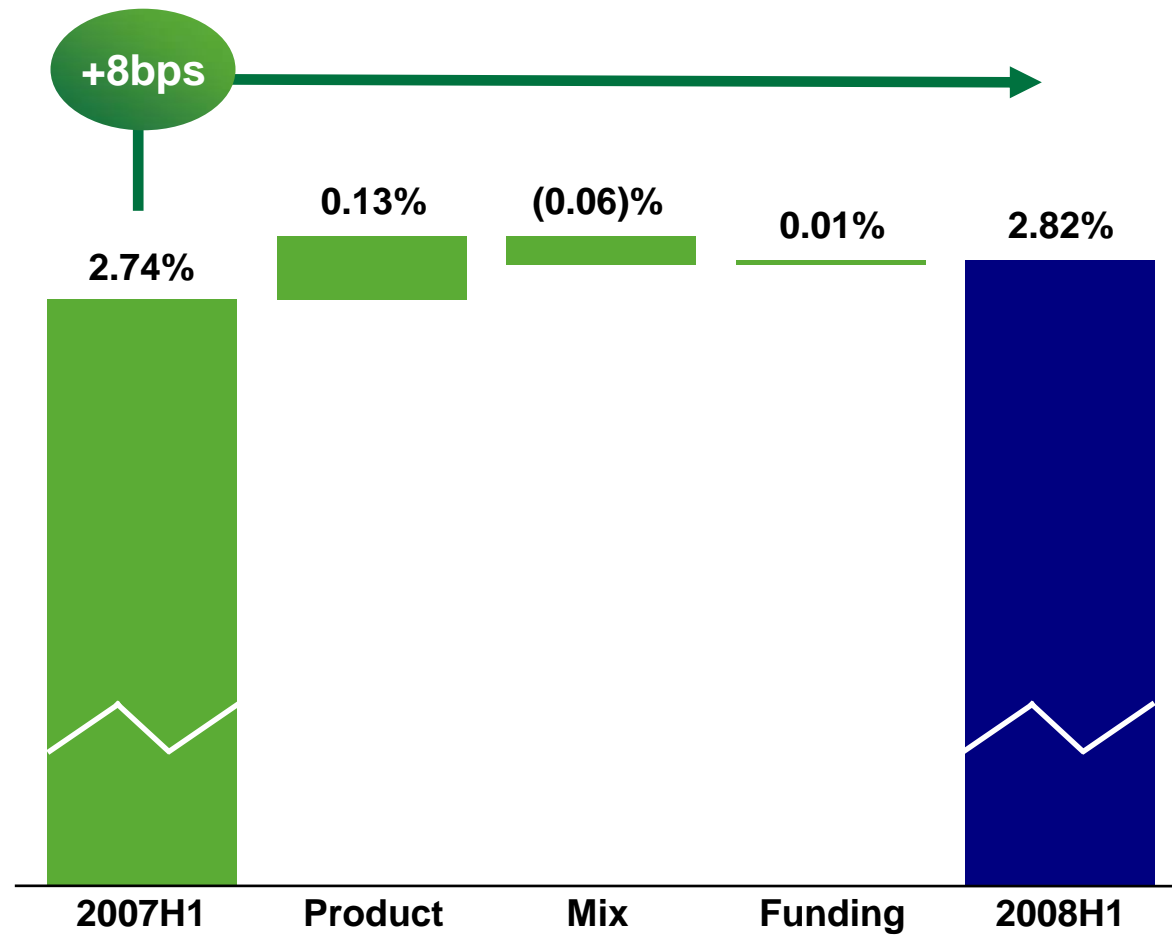


Strong customer lending and deposit growth

Wholesale & International Banking (£bn)

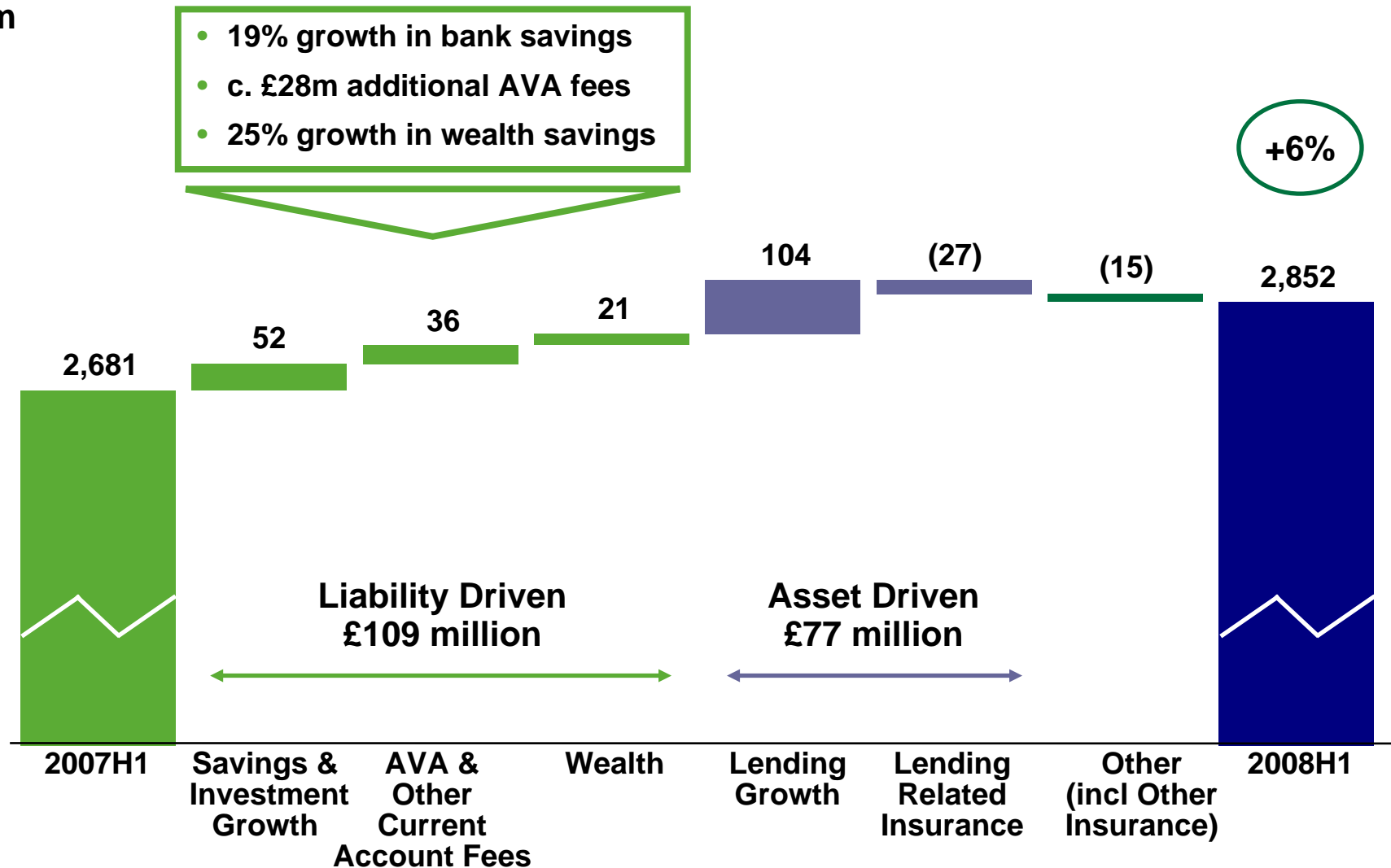


Improved banking net interest margin

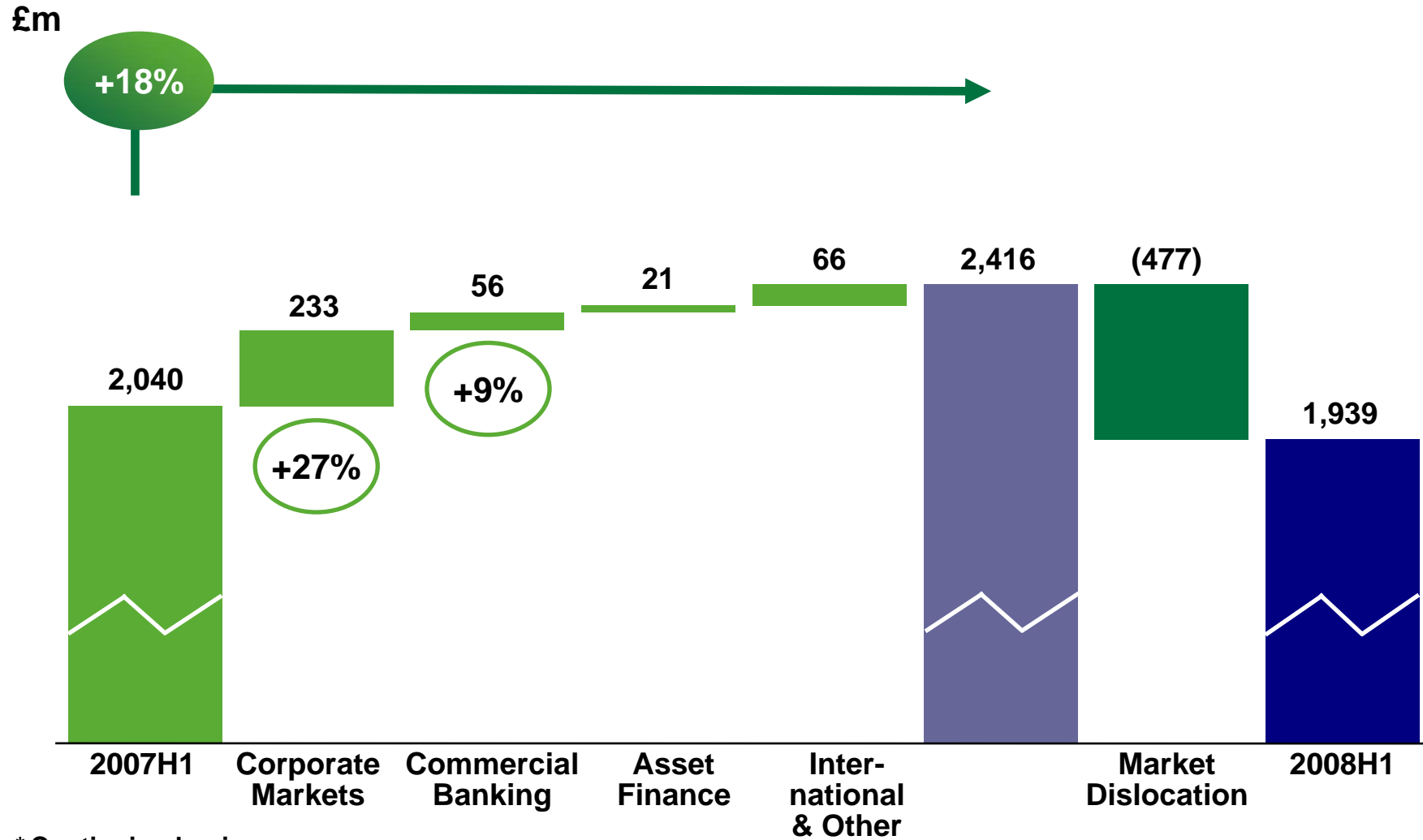


UKRB: balanced income growth

£m



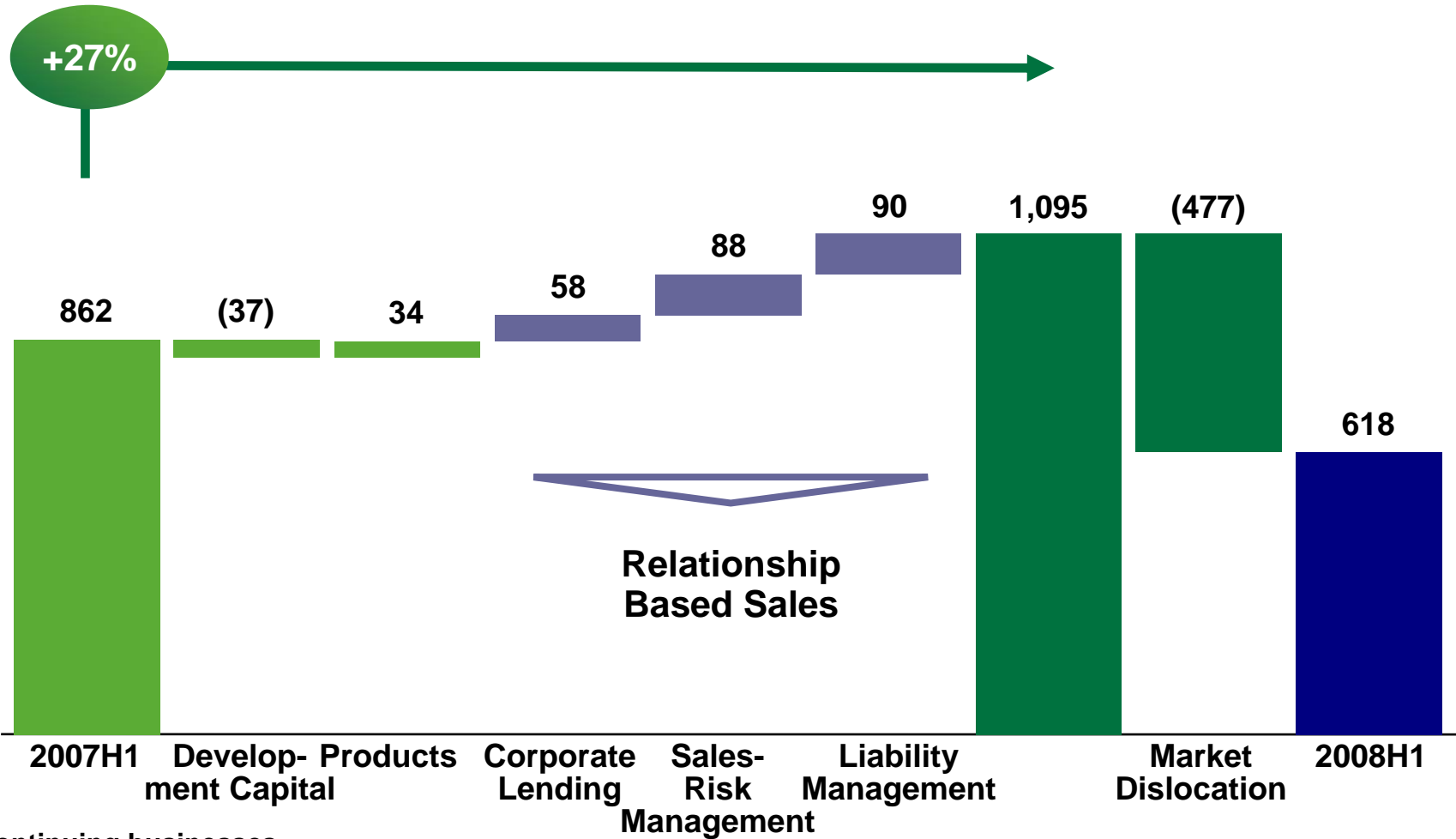
W&IB: strong underlying income growth*



* Continuing businesses

Excellent income growth in Corporate Markets*

£m



* Continuing businesses

Limited exposure to market dislocation

£m	Income statement write-down 2008H1	Net residual exposure 30 Jun 2008	Gross exposure 30 Jun 2008
US sub-prime ABS – direct	nil	nil	nil
ABS CDOs			
– unhedged*	62	70	70
– monoline hedged	170	–	297
– major bank cash collateralised	–	–	1,382
SIV			
– capital notes*	43	35	35
– liquidity back up*	3	85	85
Trading portfolio	307	4,518	4,875
	<u>585</u>		

* These write-downs, totalling £108 million, are reported in the impairment charge

Limited exposure to market dislocation

£m	Income statement write-down 2008H1	Net residual exposure 30 Jun 2008	Gross exposure 30 Jun 2008
Trading portfolio			
– ABS trading book	97	417	417
– secondary loan trading	40	479	836
– other assets*	170	3,622	3,622
	<u>307</u>	<u>4,518</u>	<u>4,875</u>

* Primarily high quality senior bank and corporate assets; also includes £173 million of indirect super senior exposure to US sub-prime mortgages and ABS CDOs, protected by note subordination

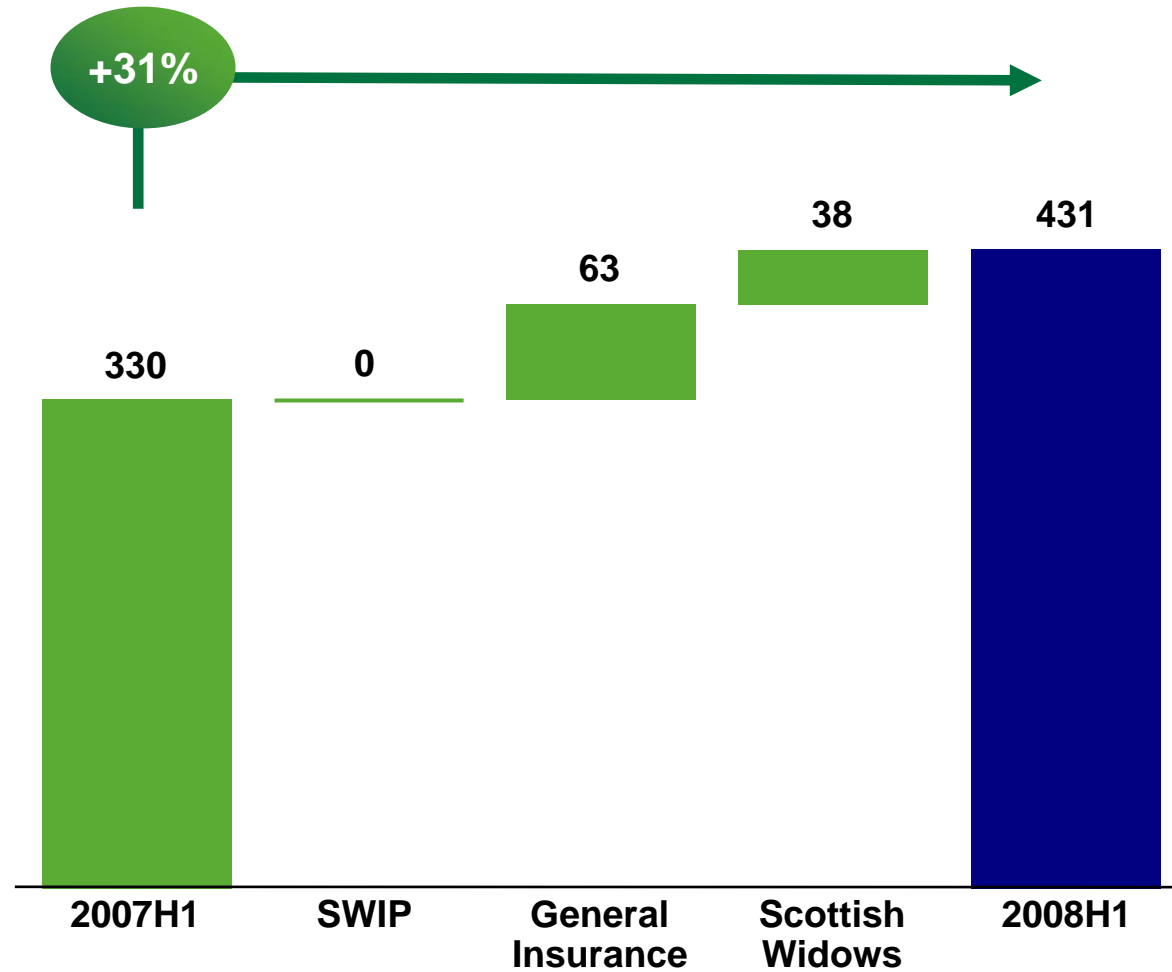
Limited exposure to market dislocation

<u>Available-for-sale assets</u>	<u>AFS reserves adjustment 2008H1 (£m)</u>	<u>Balance outstanding 30 Jun 2008 (£bn)</u>
Cancara*	(448)	7.6
– <i>US sub-prime – nil</i>		
– <i>Alt-A – £424 million (100% AAA/Aaa)</i>		
– <i>CMBS – £1,231 million (100% AAA/Aaa)</i>		
Student Loan ABS	(139)	3.2
– <i>US Government guaranteed</i>		
Treasury assets	(6)	8.4
– <i>Government bonds and short-dated bank CP</i>		
Other assets	(37)	5.8
– <i>major bank senior paper and high quality ABS</i>		
	<hr/> (630) <hr/>	<hr/> 25.0 <hr/>

* In addition, Cancara includes a client receivables portfolio totalling £4.0 billion, within which there are no US sub-prime or Alt-A mortgage assets

Strong profit growth in I&I*

£m

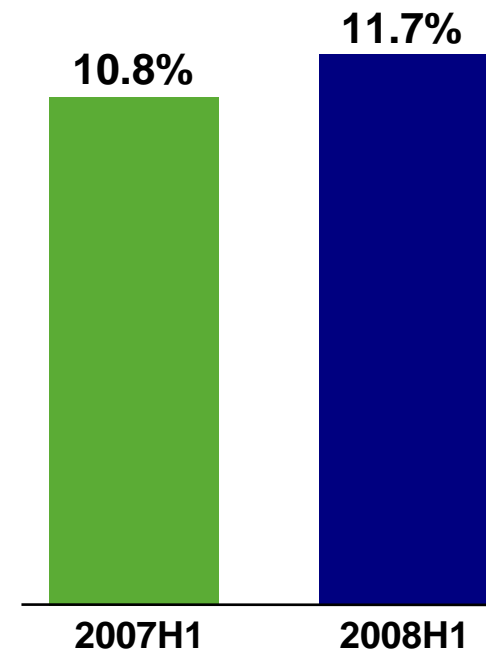


* Continuing businesses, excluding volatility

Scottish Widows: a resilient performance*

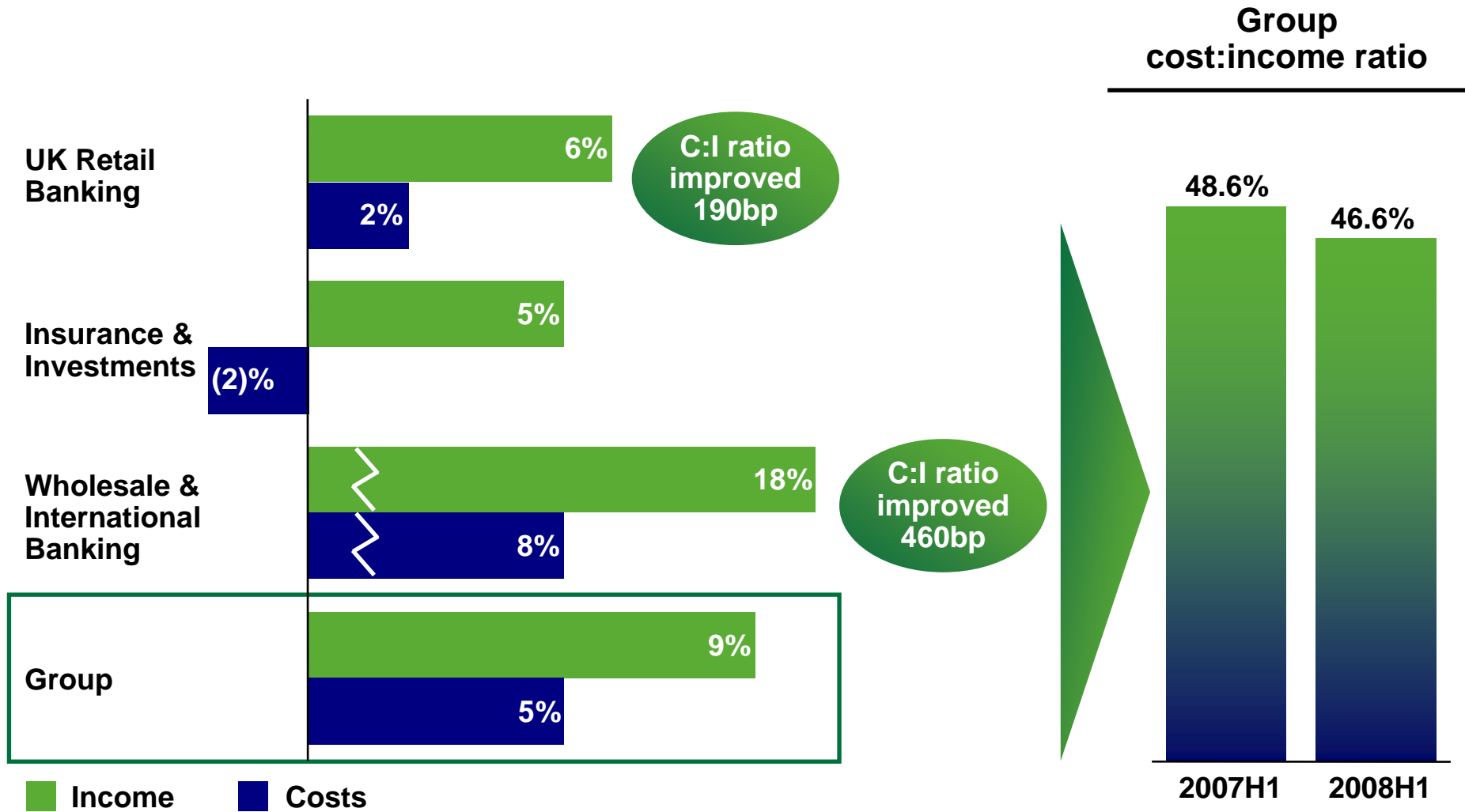
£m	2007H1	2008H1	% Change
New business profit	180	160	(11)
Existing business	141	182	29
Expected return	81	75	(7)
	402	417	4
Impact of capital repatriation	13	—	
	415	417	—

Return on Embedded Value



* EEV basis, continuing businesses, excluding volatility

Income growth ahead of costs in all divisions*

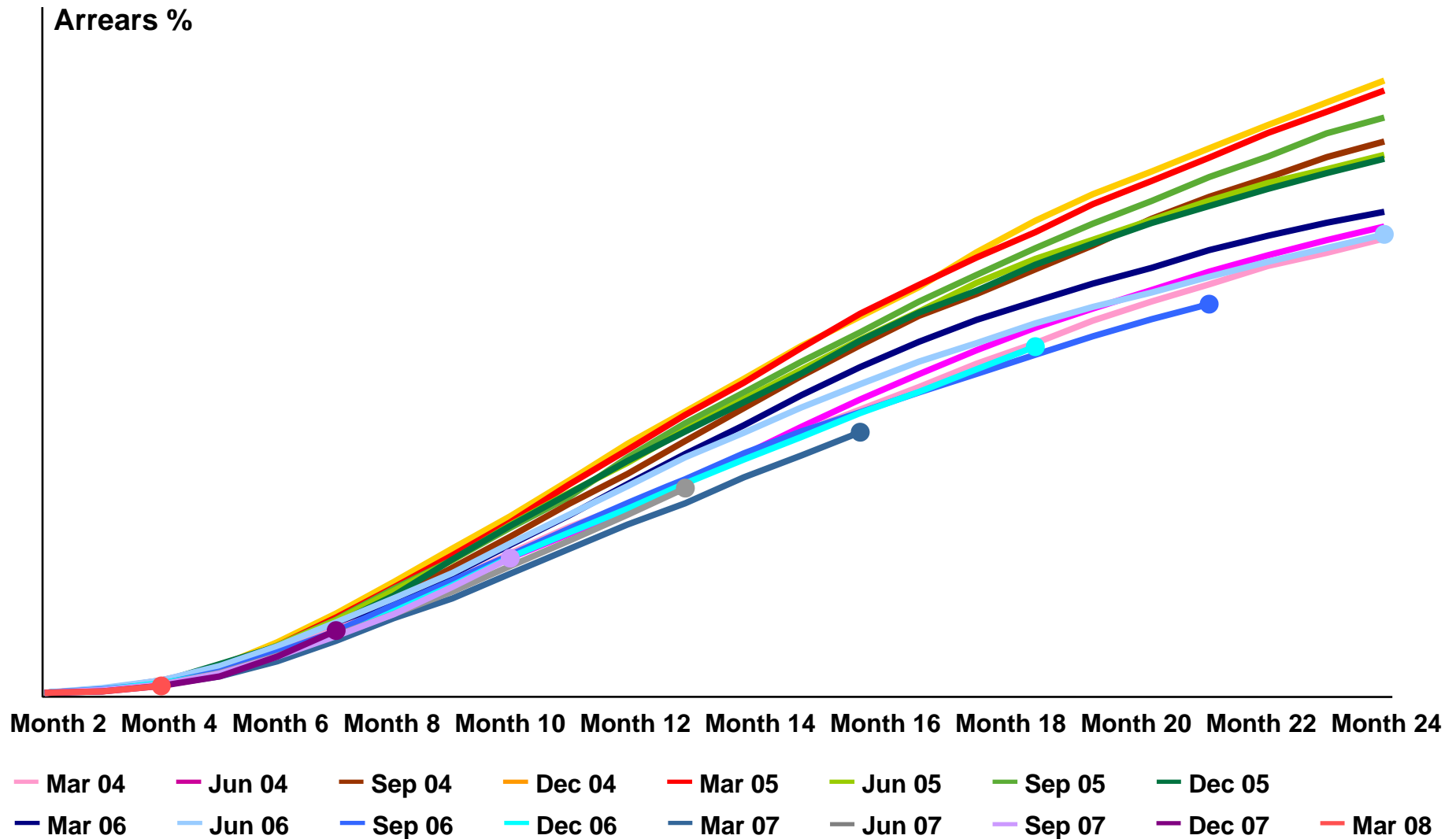


* Continuing businesses, excluding volatility, provision in respect of certain historic US dollar payments, the impact of market dislocation and settlement of overdraft claims. I&I excludes insurance grossing and income is before insurance claims

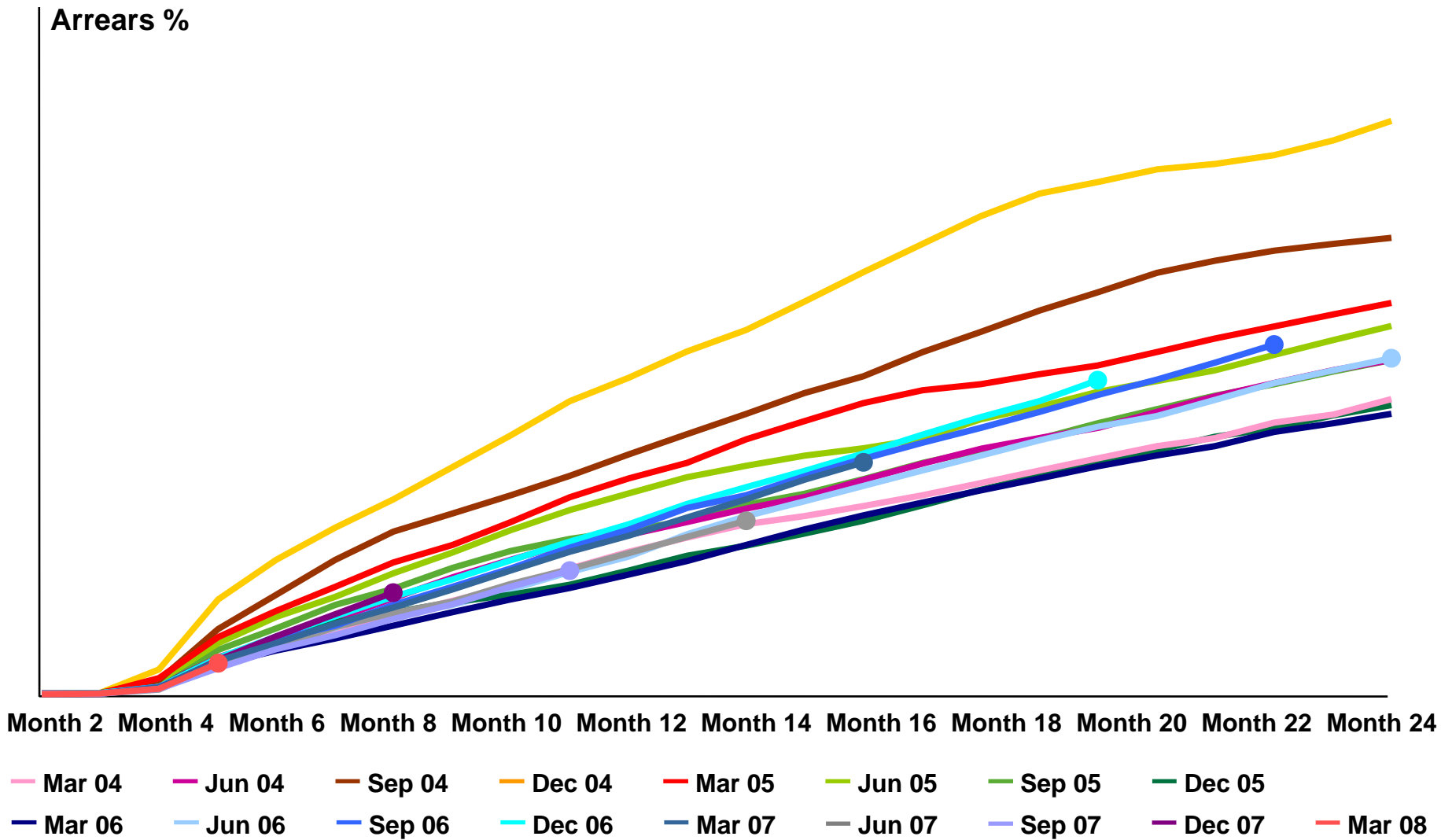
Asset quality remains satisfactory

Impairment	2007H1	2008H1	Variance	% of Average Lending	
	£m	£m		2007H1	2008H1
UK Retail Banking	627	655	(4)	1.15	1.12
– <i>Personal loans/overdrafts</i>	352	359	(2)	5.60	5.43
– <i>Credit cards</i>	270	252	7	8.14	7.84
– <i>Mortgages</i>	5	44		0.01	0.09
Wholesale & International Banking	182	336	(85)	0.43	0.68
	809	991	(22)	0.82	0.89
Market dislocation	–	108			
2007 Finance Act	28	–			
Total	837	1,099	(31)		

Arrears performance by vintage – loans



Arrears performance by vintage – credit cards



A strong UKRB mortgage portfolio

- Average indexed LTV is 47%
- Average new business LTV is 63%
- Prime focused business
- Buy-to-let only 8% of portfolio
- No self-certification

Mortgage balances outstanding

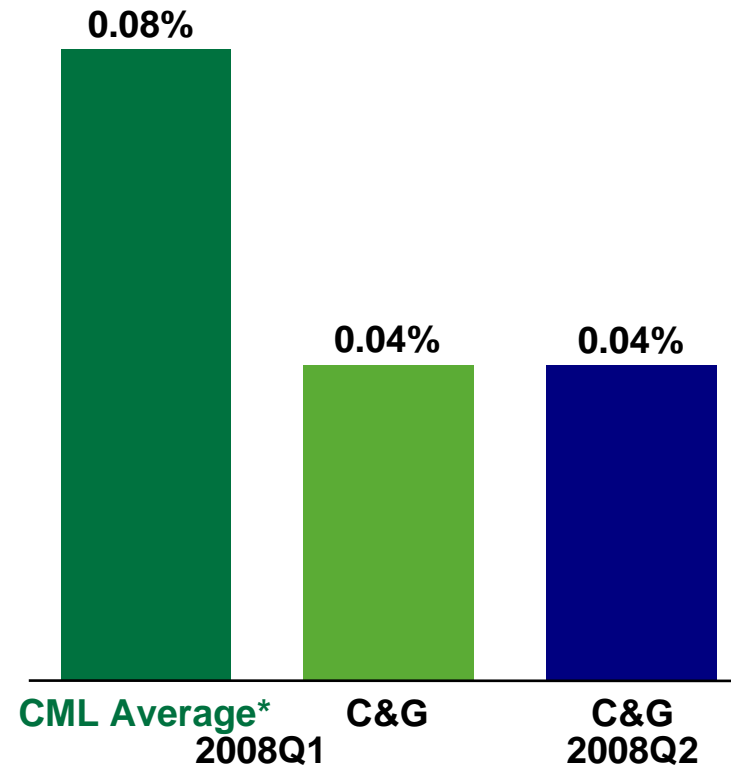
≤ 50% LTV	34%
> 50–60%	13%
> 60–70%	14%
> 70–80%	15%
> 80–90%	15%
> 90–100%	8%
> 100%	1%
	<hr/>
	100%
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Indexed by value, at 30 June 2008

A strong UKRB mortgage portfolio

New repossessions (% total cases)

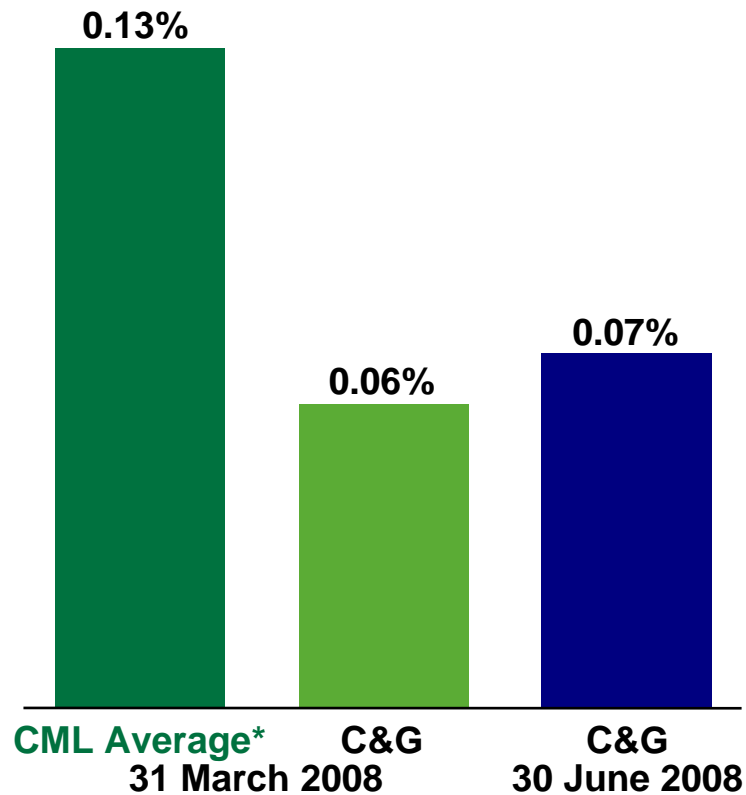
- Prime focused lending
- C&G 3+ months in arrears rose 3% in 12 months to 30 June 2008
- UK market 3+ months in arrears rose 27% in 12 months to 31 March 2008



* Council of Mortgage Lenders

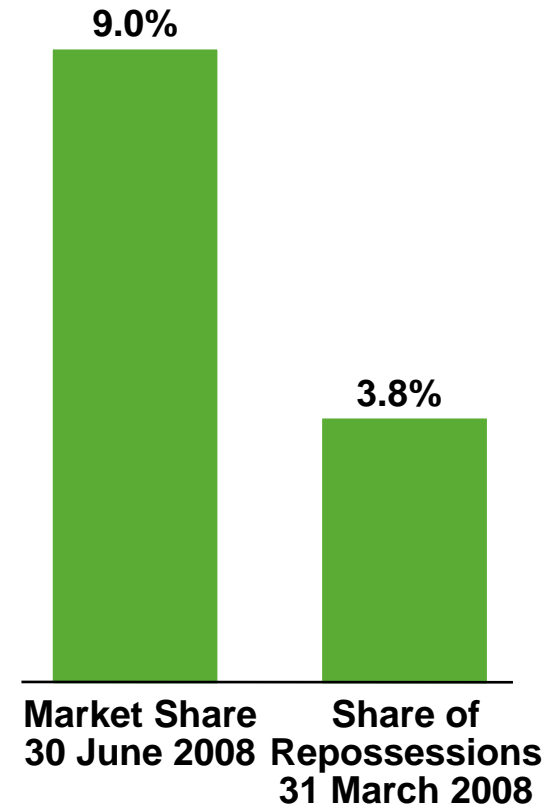
A strong UKRB mortgage portfolio

**Properties in possession
(% of mortgage cases)**



* Council of Mortgage Lenders

**C&G market share and
share of properties in possession**



Asset quality ratio has remained stable

<u>Impairment</u>	2007H1 £m	2008H1 £m	Variance %	% of Average Lending	
				2007H1	2008H1
UK Retail Banking	627	655	(4)	1.15	1.12
Wholesale & International Banking	182	336	(85)	0.43	0.68
– <i>Corporate Markets</i>	23	136	(491)	0.09	0.40
– <i>Commercial Banking</i>	47	86	(83)	0.60	0.95
– <i>Asset Finance</i>	111	112	(1)	2.50	2.51
– <i>Other</i>	1	2			
	<u>809</u>	<u>991</u>	(22)	0.82	0.89
Market dislocation	–	108			
2007 Finance Act	28	–			
Total	<u>837</u>	<u>1,099</u>	(31)		

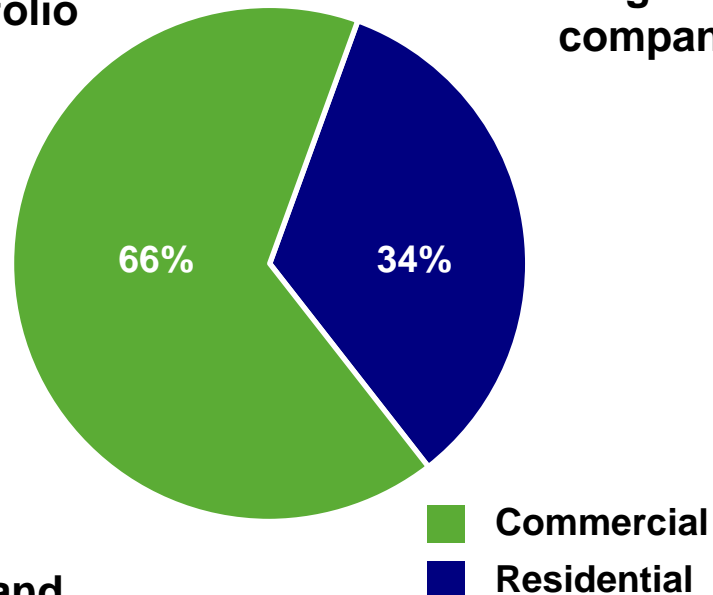
A good quality property lending portfolio

Commercial property lending*

- Through the cycle policy, supporting existing customer franchise
- Well spread nationwide portfolio
- Indexed LTV – c. 60%
- 88% investment
- 12% development
 - 60% of gross development value
 - min 100% interest cover from pre-let
- Strong focus on cash flows and tenant quality

Residential property lending

- 52% Housing Associations
 - local authority cash flows
- Larger residential property companies



* Based on a comprehensive sample of all material commercial property lending

A good quality property lending portfolio

2008 new commercial property lending*

- **Predominantly investment property lending**
- **100% of new business has < 75% LTV**
- **Over 80% of new business has < 70% LTV**
- **2 largest transactions have < 40% LTV**
- **Robust terms and conditions – strong cash flows, lower LTVs and improved pricing**

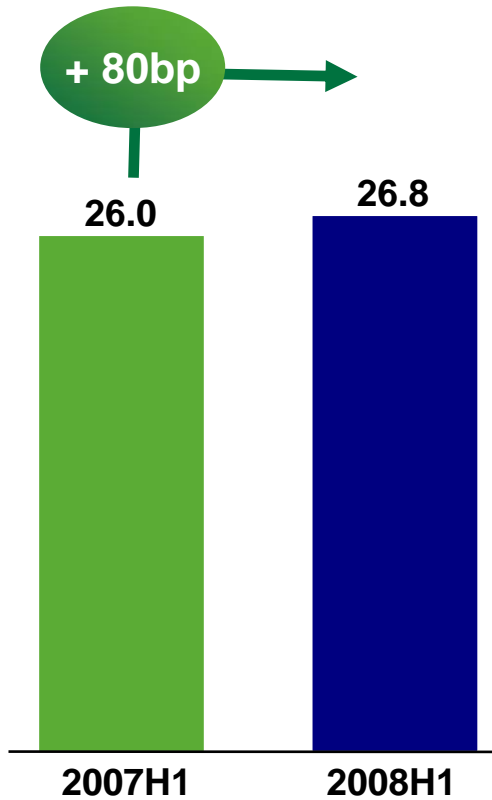
* Based on a comprehensive sample, including all material transactions in the first half of 2008

Economic environment remains uncertain

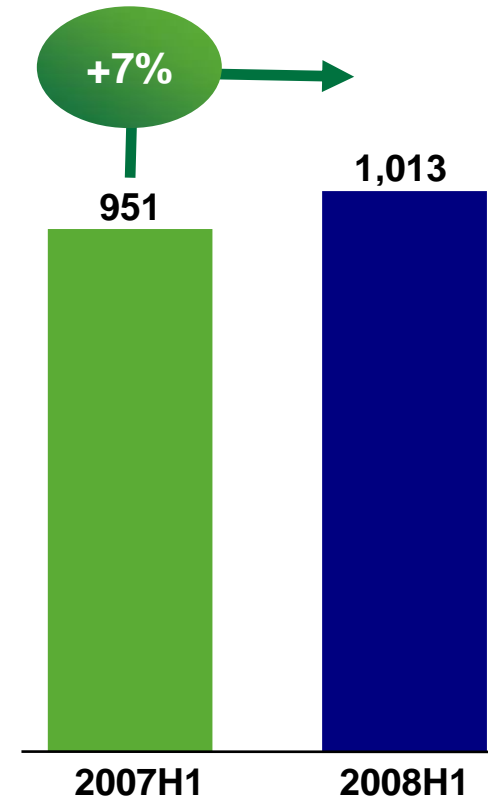
- **Consumer and corporate confidence levels have fallen**
- **Unemployment increasing but still at a relatively low level**
- **Overall corporate liquidity remains satisfactory**
- **2008 HPI falls could be between 10% and 15%**

Improving our returns*

Post-tax return on equity (%)



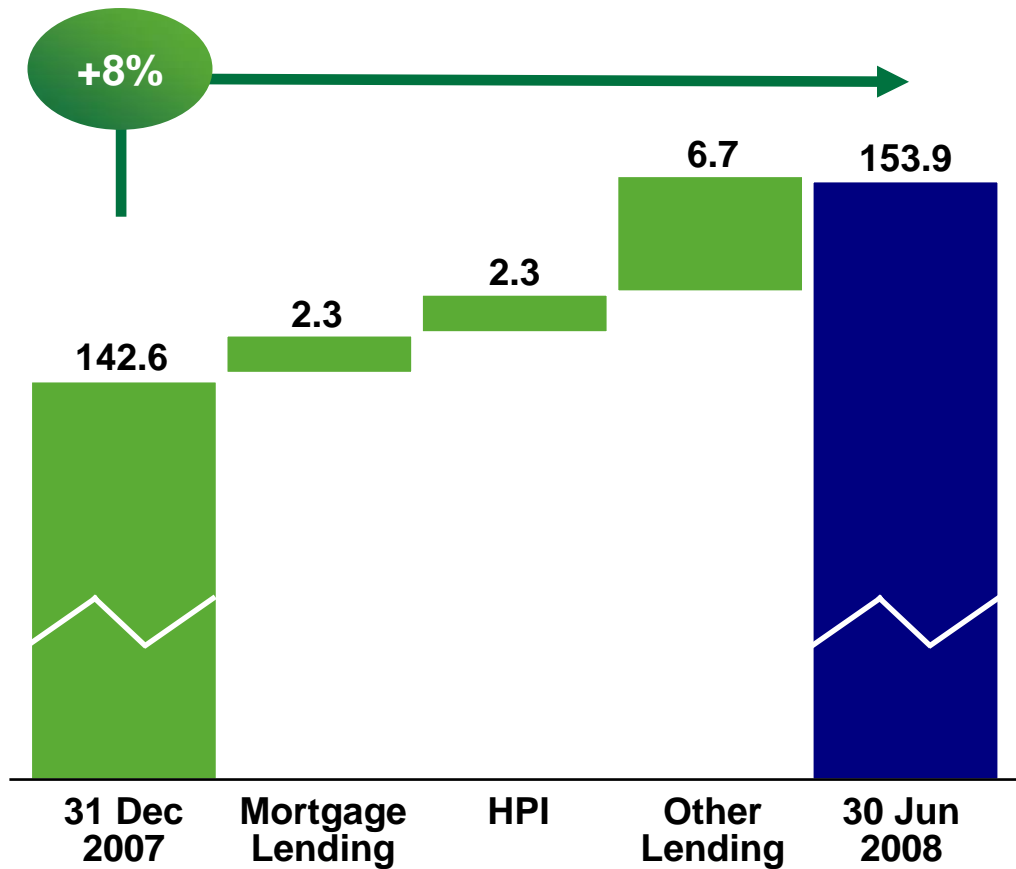
Economic profit (£m)



* Continuing businesses, excluding volatility, provision in respect of certain historic US dollar payments, market dislocation and settlement of overdraft claims

A robust capital position

Risk-weighted assets (£bn)




Capital ratios

	31 Dec 2007	30 Jun 2008
Total capital ratio	11.0%	11.3%
Tier 1 ratio	9.5%	8.6%
Core tier 1 ratio	7.4%	6.2%

A strong funding profile

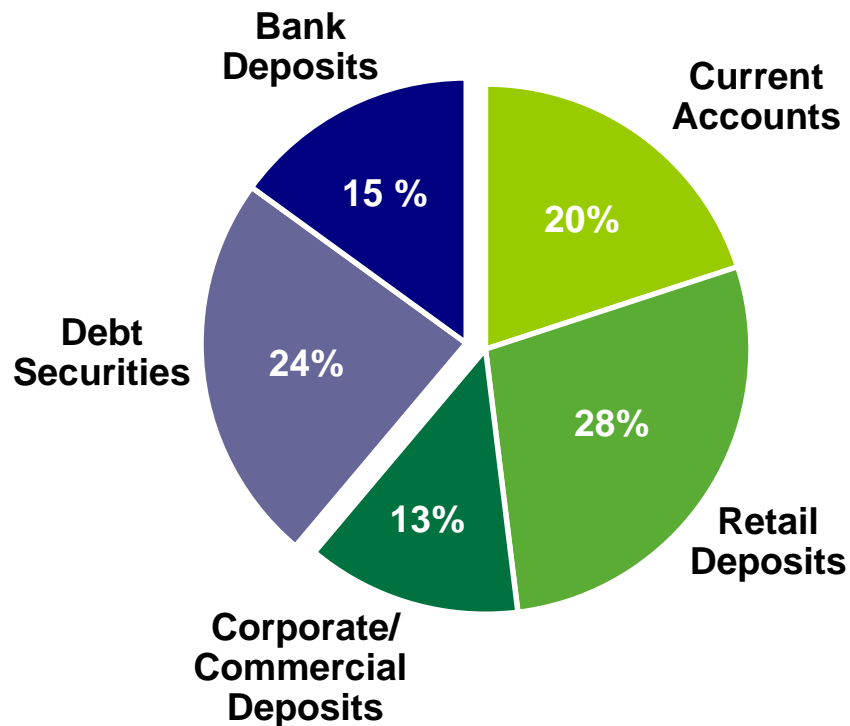
- **High, and growing, customer deposit base**
- **Conservative wholesale funding profile**
- **Strong credit ratings;**
 - **Moody's 'Aaa' reaffirmed January 2008**
 - **S&P 'AA' reaffirmed June 2008**
- **Consistent market presence**
- **Significant headroom**



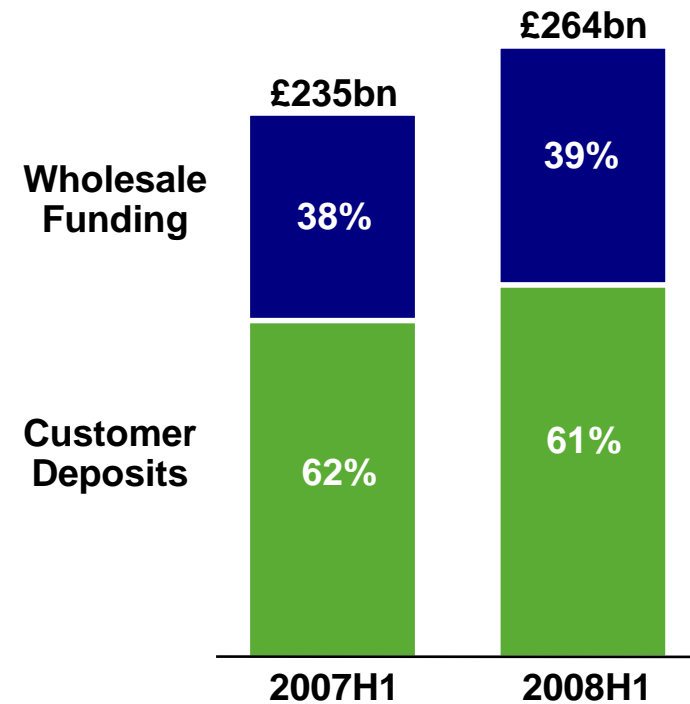
**Strong funding
and liquidity
profile**

A core funding base of customer deposits

Funding base composition June 2008



Consistent funding profile



Strong core business momentum

- **Strong sales and revenue growth**
- **Wide positive jaws**
- **Satisfactory asset quality**

- **Sustained productivity improvements**
- **Improving cost:income ratio**
- **Widening product margins**
- **ROE remains high, and improving**



**Earnings
Momentum**



**High
Returns**

GROUP RESULTS

2008 Interim Results 30 July 2008

Tim Tookey
Acting Group Finance Director

GROUP RESULTS

2008 Interim Results

30 July 2008

Eric Daniels

Group Chief Executive

2008 Interim Results

- **A strong track record of delivery**
- **Continued growth momentum**
- **Well positioned for a lower growth environment**
- **Capturing share and increasing profitability**

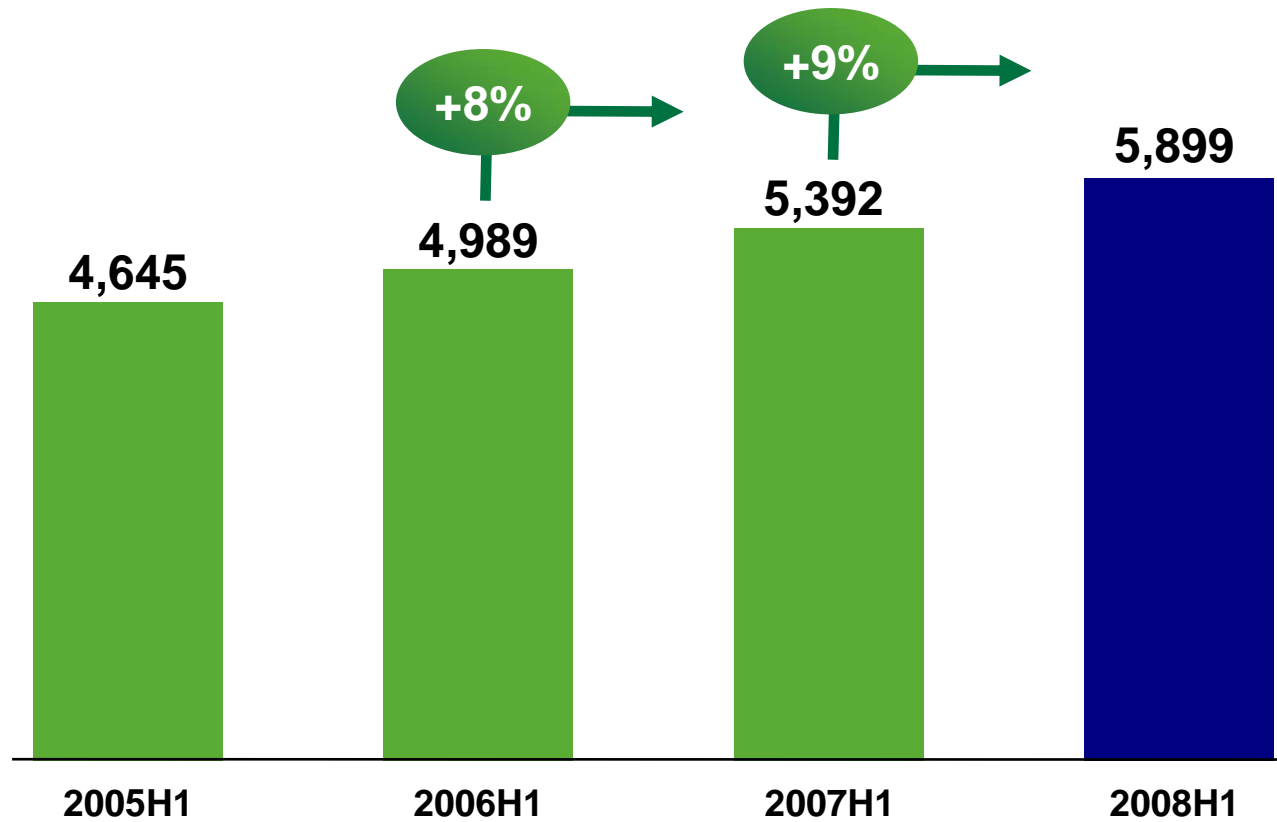
A proven business model
Consistent execution

Building strong customer franchises

Core capabilities	How we measure	The result
1. Acquiring & deepening	<ul style="list-style-type: none">• New customer share• Share of customer spend• Customer advocacy	<ul style="list-style-type: none">• Strong income growth• High future value• Sustainable growth
2. Efficiency & productivity	<ul style="list-style-type: none">• Positive 'jaws'• Sigma scores	<ul style="list-style-type: none">• Falling cost:income ratio• Rising customer satisfaction
3. Risk & capital effectiveness	<ul style="list-style-type: none">• Balance sheet• Portfolio quality• Funding• RAROC	<ul style="list-style-type: none">• Robust capital ratios• More predictable earnings• Consistent growth• High returns

Improved income momentum

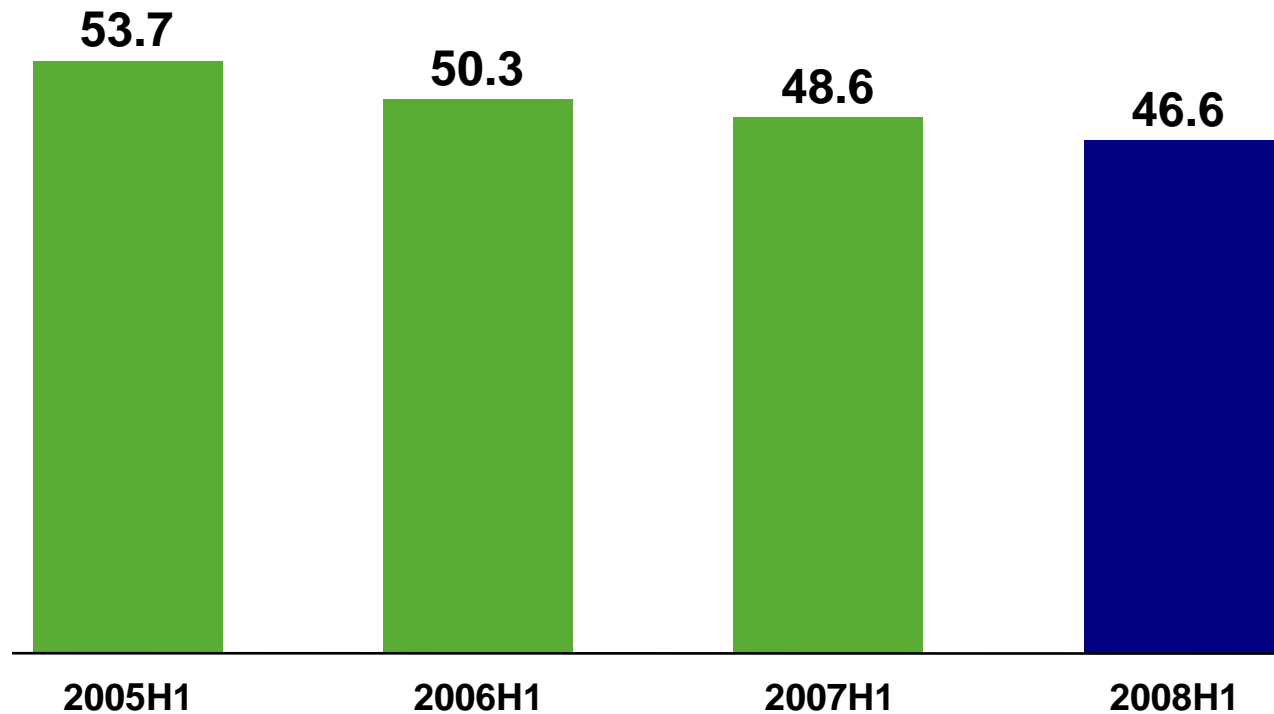
Income (£m)*



* On a continuing businesses basis and excluding the impact of market dislocation in Corporate Markets

Sustained productivity improvement

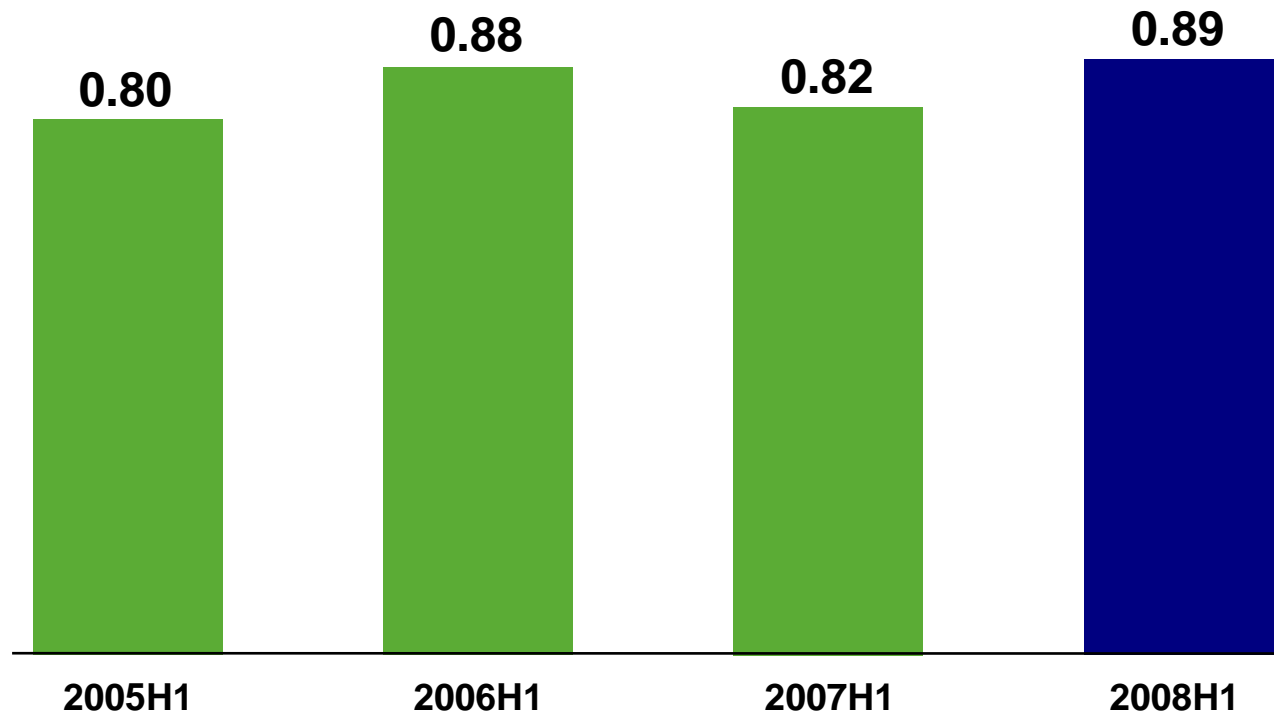
Cost:income ratio (%)*



* On a continuing businesses basis and excluding the impact of market dislocation in Corporate Markets

A high quality lending portfolio

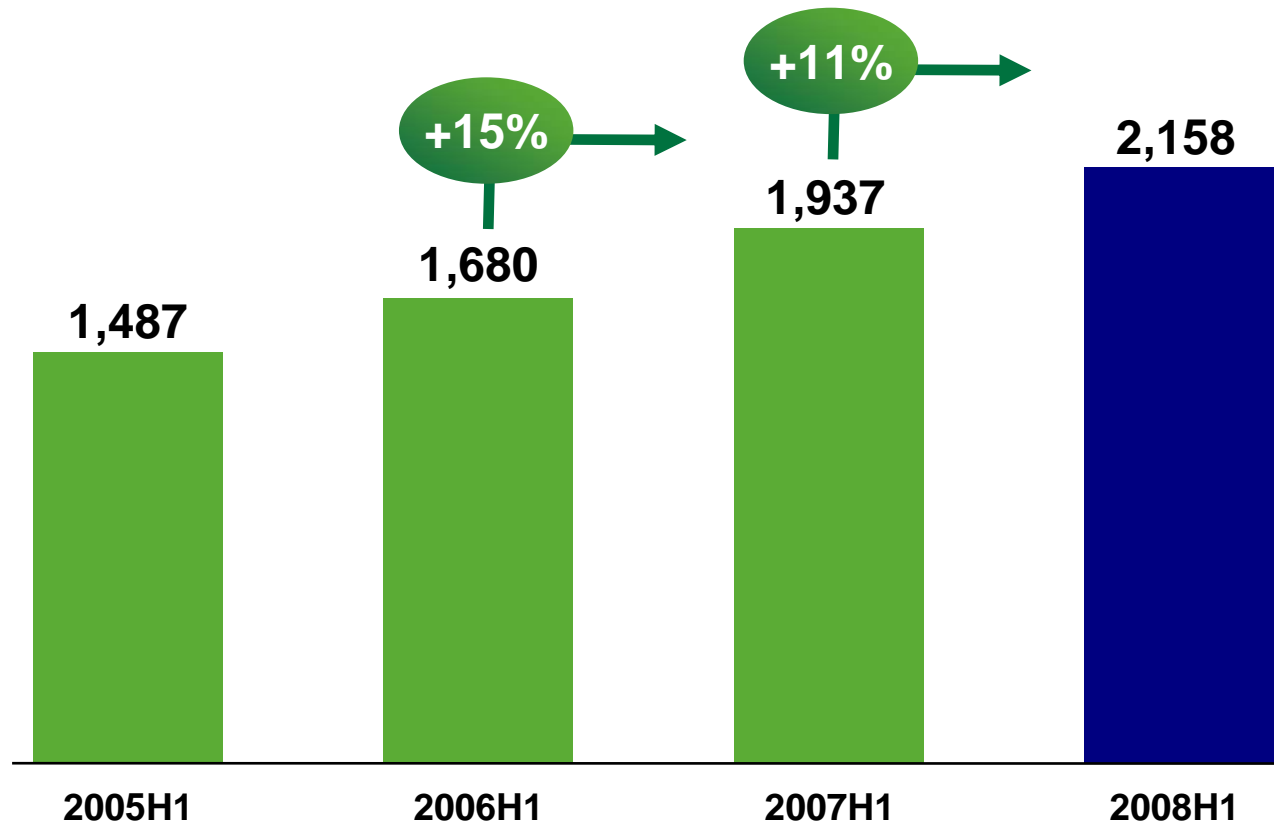
Asset quality ratio (%)*



* On a continuing businesses basis and excluding the impact of market dislocation in Corporate Markets

A strong track record of profit growth

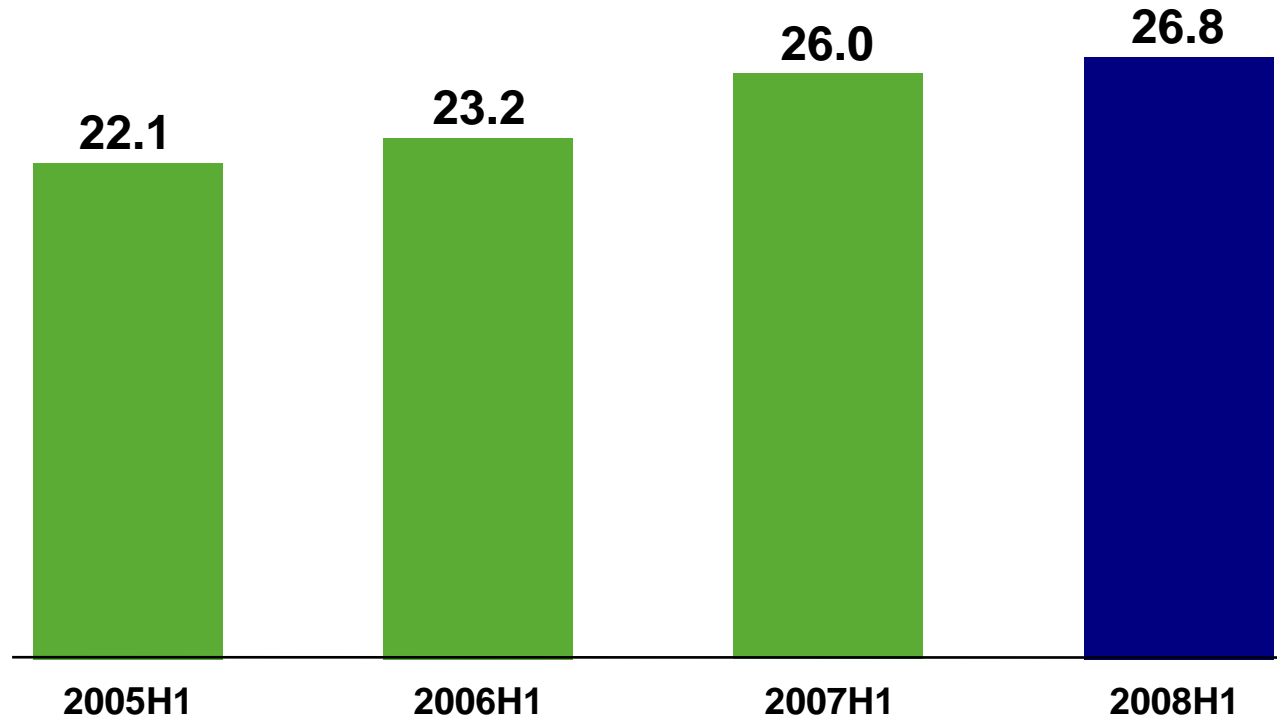
Profit before tax (£m)*



* On a continuing businesses basis and excluding the impact of market dislocation in Corporate Markets

Consistently superior returns

Return on equity (%)*



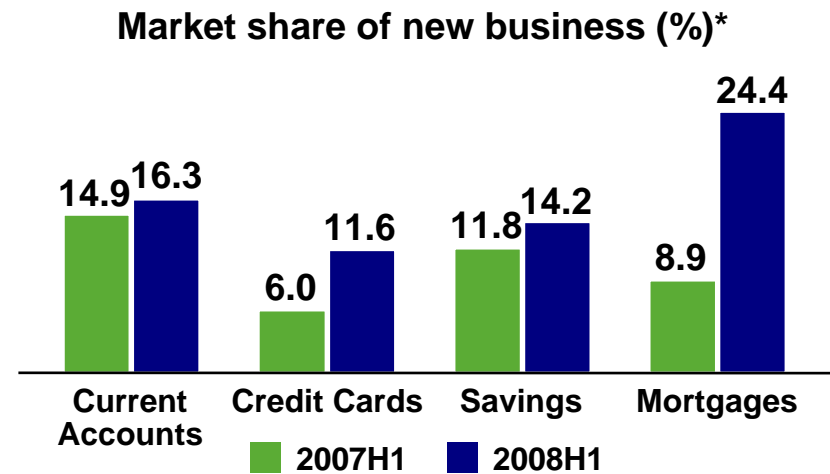
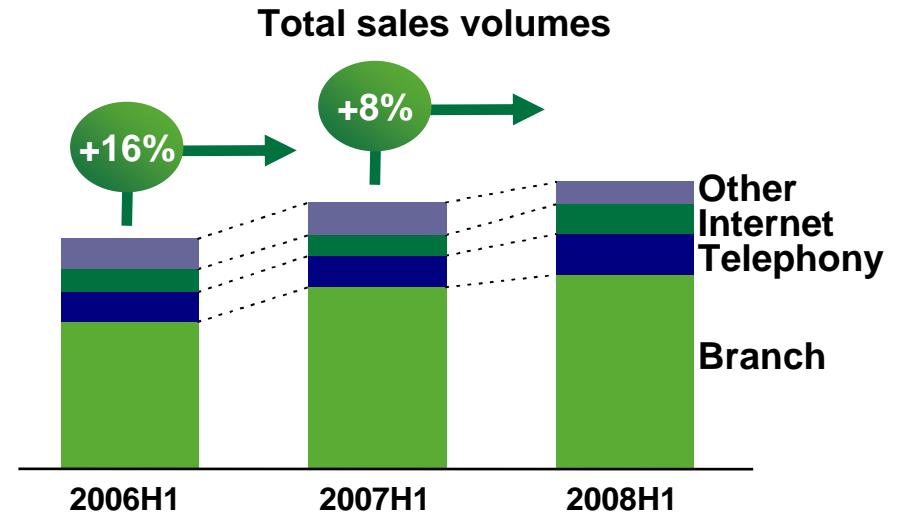
* On a continuing businesses basis and excluding the impact of market dislocation in Corporate Markets

UKRB: growth momentum

New business flows

- # 1 in current accounts
- # 1 in added value accounts
- # 1 in credit cards
- # 2 in mortgages
- # 1 in personal loans
- # 3 in savings

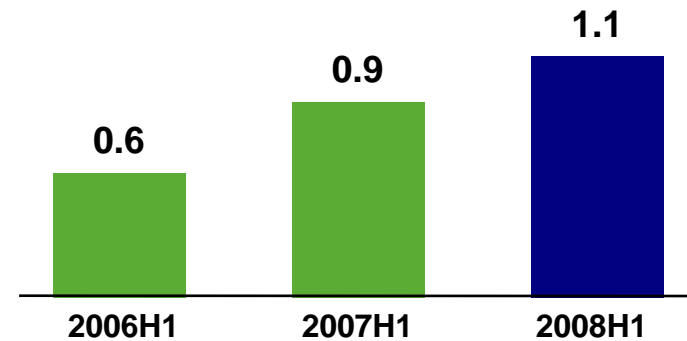
* Sources: Lloyds TSB, CACI, GfK FRS, MBBG, BoE data



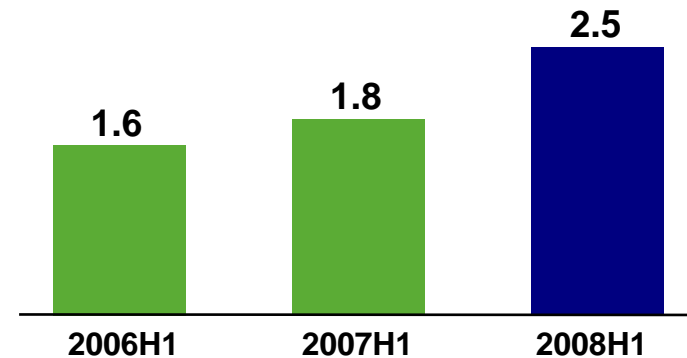
UKRB: growth momentum

- Deepening relationships
 - At acquisition
 - Over time

New account cross sales



Average product holdings per new customer over time*

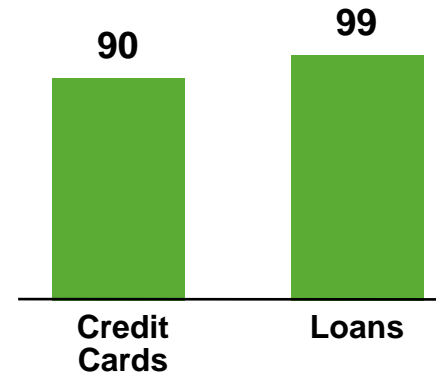


* New to bank June 2006

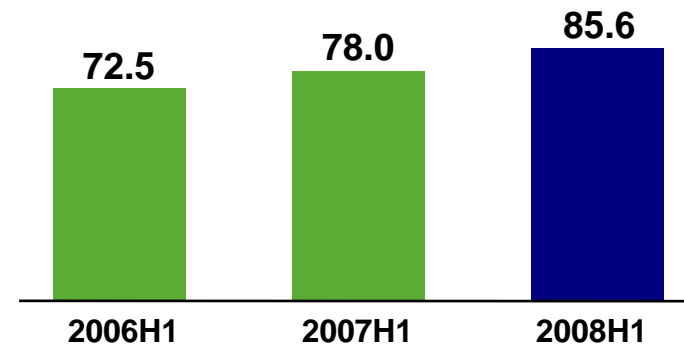
UKRB: Well positioned for a lower growth environment

- Risk management
 - Franchise customer focus
 - Tightened credit criteria
 - Increased collections capability
 - Arrears management
- Focus on deposit growth
- Sustained cost and productivity improvements

Sales to franchise customers (%)



Retail deposits (£bn)

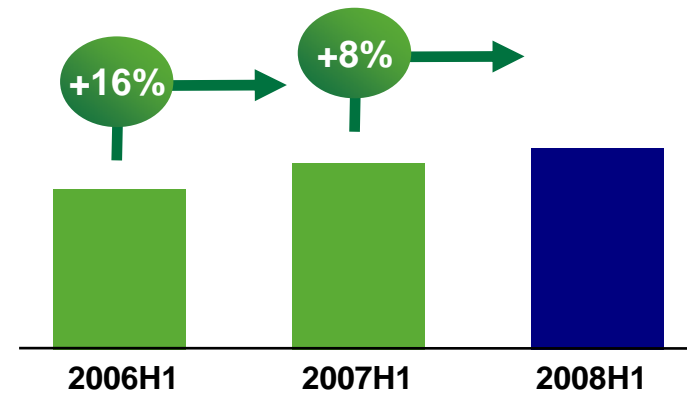


Prudent through the cycle approach to credit and risk

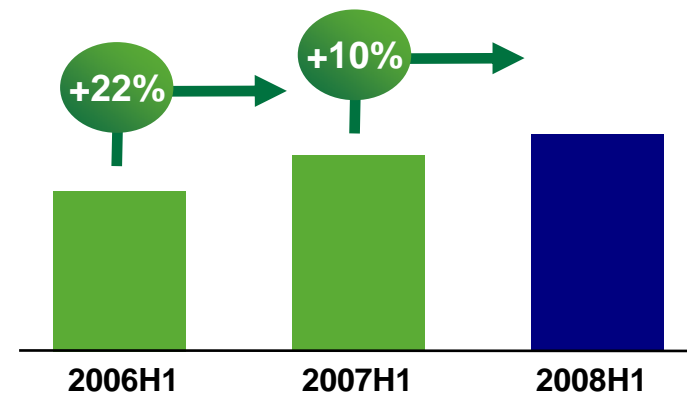
I&I: growth momentum

- Continued momentum in bancassurance channel
- Growing market share in key product areas – protection and pensions
- # 1 home insurance distributor

Scottish Widows bancassurance sales (PVNBP*)



New home insurance sold through branch network (GWP†)



* Present Value of New Business Premiums

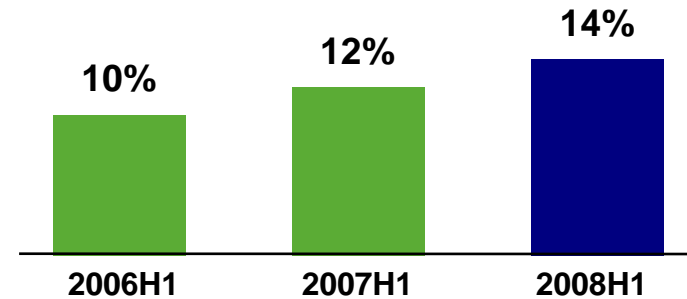
† Gross written premium

W&IB: growth momentum

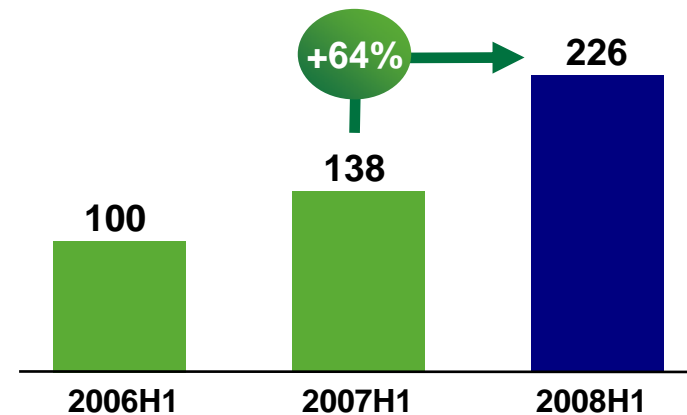
Corporate Markets

- More relationship teams
- Developed new products
- Maintained lending quality
- Increased share

Market share*
Mid Market (£15m–£250m turnover)



Cross sales growth (indexed)



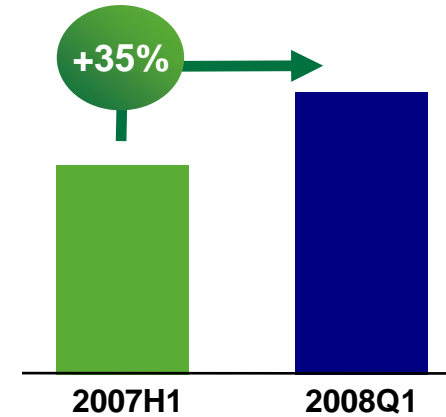
* Source: TNS

W&IB: growth momentum

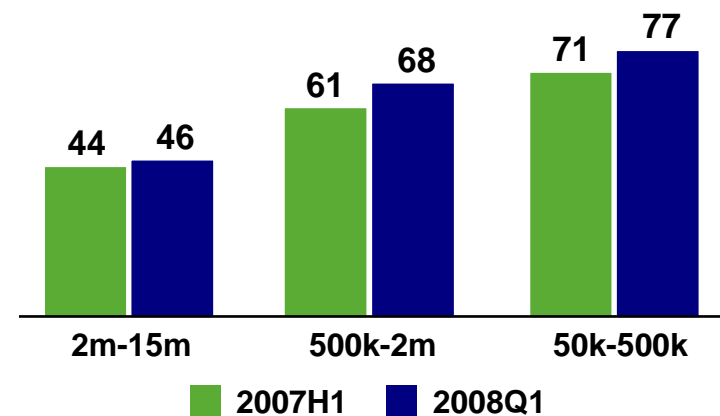
Commercial

- Investing in people and infrastructure
- Developed new products
- Targeted switcher accounts
- Increasing cross sales

Number of switcher accounts*



Share of wallet by segment (%)†



* Source: TNS (£50k-£15m segment)

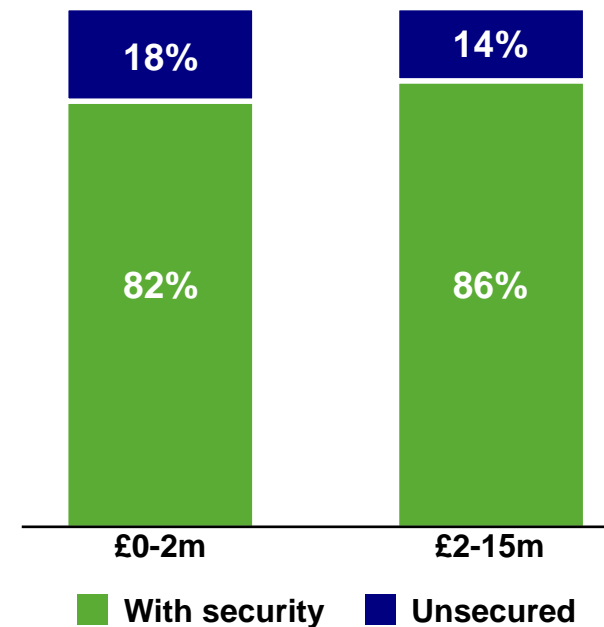
† Source: TNS

Note: data reflects position since Commercial Banking restructure in January 2007

W&IB: Well positioned for a lower growth environment

- Risk management
 - Tightened credit criteria
 - Move to secured lending
- Focus on relationship products
- Sustained cost and productivity improvements

Level of security in Commercial lending book by segment*

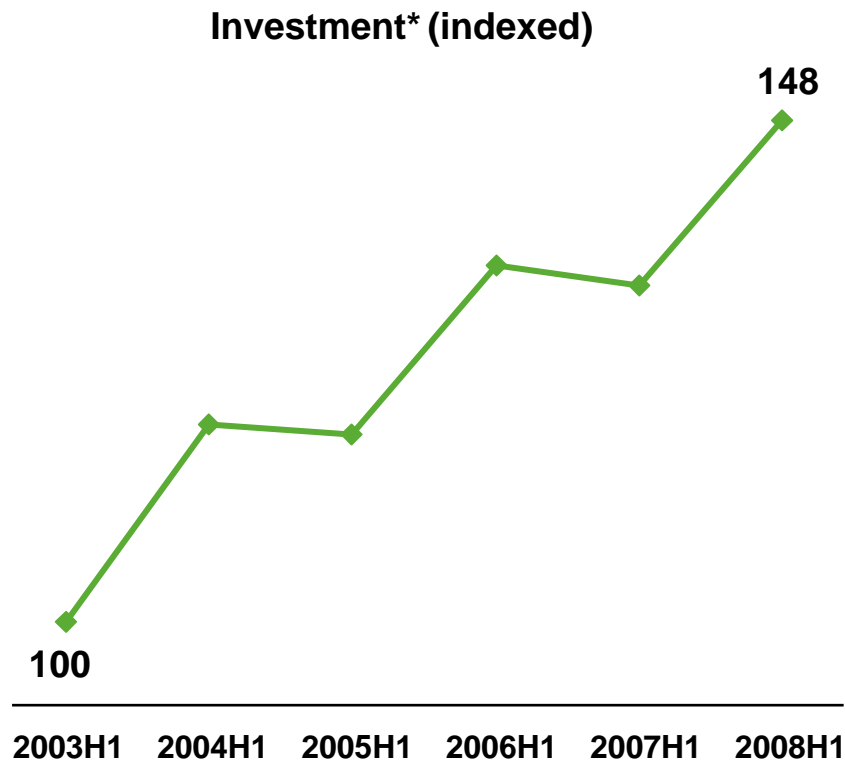


Prudent through the cycle approach to credit and risk

* May 2008 data

Investing in our business

Continuing to invest in our business...



... and investing in people

Examples

- 19% increase in Products & Markets front office staff since January 2007
- 17% increase in relationship managers in large corporate since January 2007
- c.500 retail staff redeployed to front line branch sales

* Includes revenue investment, capital investments and above-the-line marketing spend

2008 interim results

- **A strong track record of delivery**
- **Strong operating and financial performance**
- **Continued growth momentum and good growth potential**
- **Well positioned for a lower growth environment**
- **Capturing share and increasing profitability**

A proven business model
Consistent execution

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Eric Daniels

Group Chief Executive

Forward looking statements

This announcement 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, exposure to legal proceedings or complaints, changes in customer preferences, competition 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. 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.