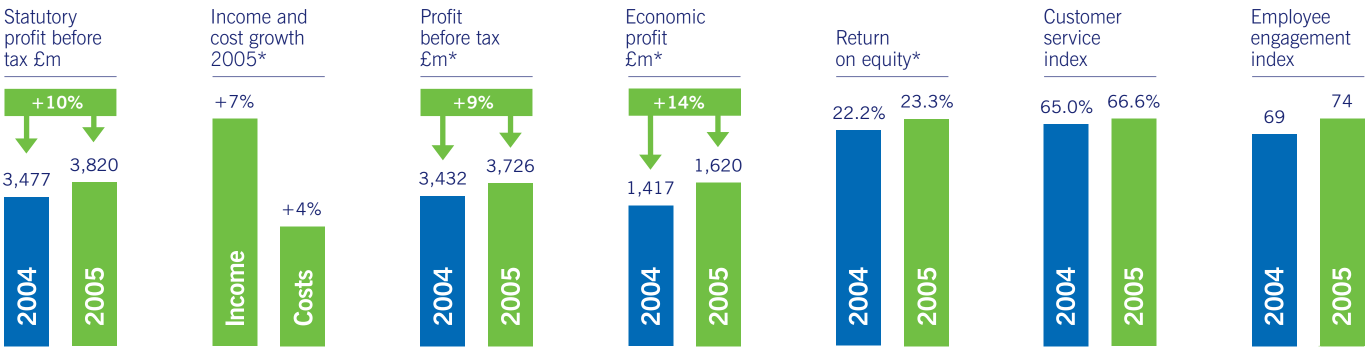
Building our business

Lloyds TSB Group

Annual Review 2005

We are building our business by…

Deepening customer relationships
Improving customer service
Improving processing efficiency
Delivering earnings momentum



* Comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations. Also excludes provisions for customer redress and the strengthening of reserves for mortality.

Profit before tax

By division

	2005 £ million	2004 £ million
UK Retail Banking		
– Before provisions for customer redress	**1,681**	1,739
– Provisions for customer redress	**(150)**	(100)
	1,531	1,639
Insurance and Investments		
– Before provisions for customer redress and strengthening of reserves for mortality	**908**	790
– Provisions for customer redress	**–**	(12)
– Strengthening of reserves for mortality	**(110)**	–
	798	778
Wholesale and International Banking	**1,504**	1,253
Central group items	**(367)**	(350)
Profit before tax – comparable basis	**3,466**	3,320
Volatility*	**625**	138
Other IFRS adjustments applied from 1 January 2005**		
– Before strengthening of reserves for mortality	**(276)**	–
– Strengthening of reserves for mortality	**(45)**	–
	(321)	–
Profit (loss) on sale and closure of businesses†	**50**	(21)
Trading results of discontinued operations in 2004††	**–**	40
Profit before tax	**3,820**	3,477
Earnings per share	**44.6p**	42.8p

* Volatility relates to Insurance and Investments (2005: £749 million, 2004: £138 million) and Central group items (2005: £(124) million, 2004: nil).

** Other IFRS adjustments applied from 1 January 2005 relate to UK Retail Banking (£(213) million), Insurance and Investments (£(73) million), Wholesale and International Banking (£20 million) and Central group items (£(55) million).

† Profit (loss) on sale and closure of businesses relates to UK Retail Banking (2005: £76 million, 2004: nil), Wholesale and International Banking (2005: £(6) million, 2004: £(21) million) and Central group items (2005: £(20) million, 2004: nil).

†† Trading results of discontinued operations in 2004 relates to Wholesale and International Banking.

Final dividend

A final dividend of 23.5p per share will be paid on 3 May 2006. This makes a total dividend for 2005 of 34.2p (2004: 34.2p).

Presentation of information

With effect from 1 January 2005 the Group implemented International Financial Reporting Standards (IFRS). The 2004 comparative financial information reflects the adoption of those IFRS standards which are required to be applied retrospectively, but does not include the additional impacts arising from first time application of those standards that the Group implemented with effect from 1 January 2005. Further information on the impact of implementing IFRS on comparative information is published in the Group's 2005 Annual Report and Accounts.

The impact of IFRS, and in particular the increased use of fair values, has resulted in greater earnings volatility. In order to provide a more comparable representation of business performance this volatility has been separately analysed for the Group's insurance and banking businesses. In addition, other IFRS related adjustments applied with effect from 1 January 2005, for which comparatives are not required to be restated, the profit (loss) on sale and closure of businesses and the impact on the Group's results of businesses sold in 2004 have been separately analysed in the Group's results. A reconciliation of this 'comparable' basis of presentation to the statutory profit before tax is shown on this page.

This annual review, including the summary financial statement contained within pages 10 to 13, does not provide sufficient information to allow as full an understanding of the results and state of affairs of Lloyds TSB Group as would be provided by the full report and accounts. Shareholders who would like more detailed information may obtain a copy of the full report and accounts, free of charge, by completing the request form which accompanies this review.

The businesses of Lloyds TSB

The Group

Lloyds TSB is a leading UK-based financial services group whose businesses provide a comprehensive range of banking and financial services in the UK and overseas. At the end of 2005 total group assets were £310 billion and there were some 67,000 employees. Market capitalisation was £27 billion.

The main businesses and activities of the Group during 2005 were:

UK Retail Banking

Provides a full range of banking and financial services to some 15 million personal customers through over 2,100 branches throughout the UK, as well as telephone and internet banking services. Cheltenham & Gloucester (C&G) is the Group's specialist residential mortgage provider, selling its products through branches of C&G and Lloyds TSB Bank in England and Wales, as well as through the telephone, internet and postal service, C&G TeleDirect. The Group is one of the largest mortgage lenders in the UK, with a market share of 9.1 per cent. Profit before tax from UK Retail Banking was £1,531 million.

Insurance and Investments

Scottish Widows is the Group's specialist provider of life assurance, pensions and investment products, distributed through the Lloyds TSB branch network, through independent financial advisers and directly via the telephone and the internet. Insurance and Investments also includes general insurance underwriting and broking, and fund management. Profit before tax from Insurance and Investments was £798 million.

Wholesale and International Banking

Provides banking and related services for major UK and multinational corporates and financial institutions, and small and medium-sized UK businesses. It also provides asset finance and share registration services to personal and corporate customers, manages Lloyds TSB Group's activities in financial markets through its treasury function and provides banking and financial services overseas. Profit before tax from Wholesale and International Banking was £1,504 million.

Chairman's statement

2005 was a successful year for the Lloyds TSB Group, as we continue to build our business and deliver good earnings momentum. Each division has again delivered revenue growth in excess of cost growth, costs have remained firmly under control and overall credit quality has remained satisfactory. Above all the Group has made substantial progress in the execution of its organic growth strategy focused on improving and deepening relationships with our personal and business customers.

Over the last two years the changes that have been introduced by the Group's new management team have addressed the significant external challenges of competition and regulation and have substantially improved the outlook for the Group. There is plenty of scope for organic growth in our chosen markets and our aim is to attract more of the business that our customers have with other financial services companies. We want to be the most successful company in the UK financial services industry.

I am proud of what this Group has achieved in a very short space of time; wherever I go in the business we are making substantial progress.

In Retail Banking we are clearly focused on ensuring that we earn the right to meet 100 per cent of our customers' financial services needs. Customer satisfaction standards continue to improve and are at a higher level than at any time in recent years. This reflects several years of hard work during which all staff have focused their full attention on providing high levels of service to our customers.

In Insurance and Investments we are, after a number of challenging years, starting to make significant progress in distributing bancassurance products through the branch network, as well as building on our existing strength through independent financial advisers. We have achieved higher levels of new business profitability and have improved our market share of new business.

In Wholesale and International Banking we have streamlined our international portfolio of businesses to focus on leveraging our strong customer relationships with business and corporate customers. As a result we have delivered excellent levels of profit growth and made great progress in delivering our strategy to build an integrated wholesale bank.

Whilst we have made considerable progress, we are not resting on our laurels. We know we have to continue to produce good levels of earnings growth and strong results. Going forward, the main thrust of our strategy will be continuing to invest in our businesses to deliver revenue growth through gaining new customers, deepening our relationship with customers, and leveraging the strength of our brands and our multi-channel distribution capability, whilst at the same time continuing to improve the products and services that we offer to our customers. In addition we will further improve our processing efficiency and seek to reduce day-to-day operating costs.

By focusing on this clearly articulated strategy I believe the Group can continue to deliver a strong return on equity together with good levels of economic profit growth. Over the last few years we have substantially improved the quality of the Group's earnings and have re-established satisfactory levels of earnings growth. As a result, during 2005 we delivered a total shareholder return (share price appreciation plus dividends) of 10.9 per cent.

Economic outlook

Whilst the economic outlook for the UK remains dependent on events that unfold in the global economy, we expect economic growth to increase slightly in 2006 to just over 2 per cent. Interest rate changes are expected to remain modest. Consumer spending, which was the major factor behind the economic slowdown in the UK in 2005, is showing some signs of recovery, although we expect only a modest recovery during 2006. The mortgage market should remain reasonably healthy, although personal borrowers are expected to continue to cut back on unsecured borrowing.

The regulatory burden upon the UK financial services industry continues to be a major concern. The adoption of International Financial Reporting Standards, compliance with Sarbanes-Oxley and preparations for the introduction of the Basel capital adequacy regime have all been time consuming and expensive. We welcome signs that notice is at last being taken of the extent of this regulatory burden. We shall, however, wait to see whether de-regulation initiatives, announced by both the UK Government and the European Commission, have any material impact upon the significant burden faced by the industry. The UK financial services industry is one of the great success stories of the last 20 years and great care must be taken to ensure that the conditions remain in place for this success story to continue.

Capital and dividend

During 2005 Lloyds TSB has continued to maintain robust capital ratios and remains one of the very few banks in the world with an 'Aaa' long-term debt rating from Moody's, the credit rating agency. In addition, Scottish Widows remains one of the strongest capitalised life assurance companies in the UK, and the repatriation of £1 billion of surplus capital from Scottish Widows to the Group during 2005 shows the significant improvements that have been made in the capital management of Scottish Widows over the last few years.

The board has decided to maintain the final dividend at 23.5p per share, making a total for the year of 34.2p (2004: 34.2p). This represents a yield of 7.0 per cent calculated using the 31 December 2005 share price of 488.5p.

Community

Lloyds TSB remains one of the UK's largest corporate givers, principally through the excellent work of the Lloyds TSB Foundations who made grants to charities of over £30 million in 2005.

Staff

The Lloyds TSB Group is all about people and in my five and a half years as chairman I have enjoyed meeting so many of them. Throughout our businesses, our employees are the Group's ambassadors – I am extremely proud of them all and am truly grateful for their continuing efforts, without which the Group could not have made such considerable recent progress. We are a service company and I am certain that improved levels of customer service will lead to improved sales performance.

Board changes

Since the 2005 annual general meeting, we have welcomed three directors to the board. Terri Dial was appointed as Group Executive Director, UK Retail Banking in June and Jan du Plessis and Lord Leitch joined us as independent non-executive directors in October.

As previously announced, I shall be retiring as chairman at the annual general meeting in May and I am delighted that Sir Victor Blank will be succeeding me. He will join the board in March as Deputy Chairman. The board carefully considered the provisions of the combined code on corporate governance when nominating Sir Victor as my successor.

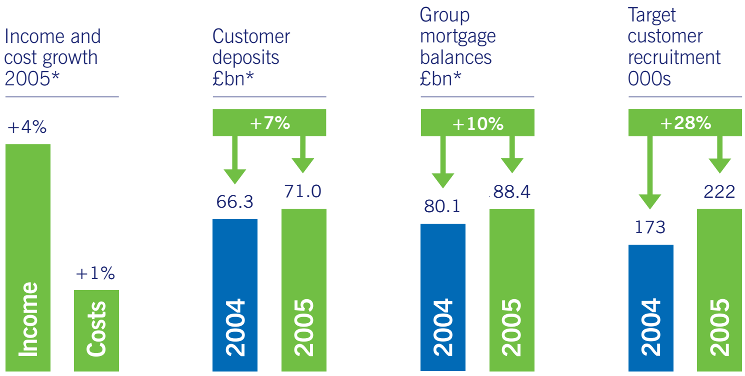
Outlook

We are making good progress in meeting our corporate objectives of achieving sustainable earnings growth, strong cost control, high levels of customer and staff satisfaction, satisfactory asset quality and balance sheet efficiency and strength. As the board looks to the future, the increasing momentum in our businesses, supported by new revenue growth and cost control initiatives, gives us confidence that Lloyds TSB can achieve its objective of being the leading financial services company in the UK.

I have thoroughly enjoyed my time in the banking industry. I know that Lloyds TSB is in great hands and I wish my colleagues all the very best for the future.

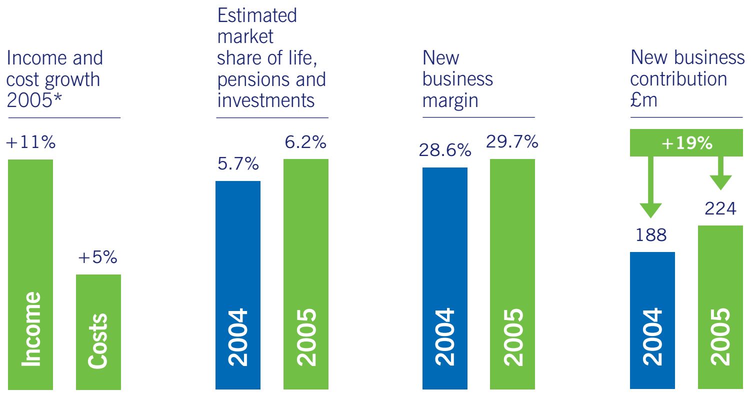
Maarten van den Bergh
Chairman
23 February 2006

In **Retail Banking** we will earn the right to meet 100% of our customers' financial services needs



* Comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations. Also excludes provisions for customer redress.

In **Insurance and Investments** our focus is on profitability and returns, combined with strong new business sales



* Comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations. Also excludes provisions for customer redress and the strengthening of reserves for mortality.

Group chief executive's review

2005 was a good year for the Group, both in terms of our financial performance and, as importantly, in making further progress in the development of our organic growth strategy.

On the financial side, we increased our already high return on equity and we delivered a total return of 10.9 per cent to our shareholders. We grew the trading surplus in each division as the rate of growth in income exceeded that of costs and we achieved good overall earnings growth in the face of a slower economic environment.

In terms of delivering the Group strategy, we have established better sales momentum and stronger levels of customer acquisition in our banking businesses and delivered good sales growth in our life assurance business over the course of the year. Our market shares are either stable, or growing, in most of our key product lines. Most importantly, our customer relationship programmes are being effectively implemented and we are delivering higher revenues per customer in our retail and corporate banking businesses.

We have significantly enhanced our productivity, as the quality programmes that we commenced in 2003 continue to show improving results. This is reflected in our cost:income ratio which, on a comparable basis and excluding customer redress provisions and the strengthening of reserves for mortality, improved to 52.7 per cent, from 54.3 per cent in 2004, and I am pleased that we have achieved this whilst continuing to invest substantially in the business. Our customer satisfaction scores hit record highs in 2005, again reflecting the improvement programmes established over the last couple of years, and we will continue to drive further improvements as we seek to differentiate our service performance against that of our competitors.

The risk environment remains satisfactory overall, although we have seen a deterioration in the unsecured consumer lending portfolios as a result of an increase in the number of customers facing repayment difficulties, which has been offset by a strong performance in the Corporate lending portfolios. Over time, we expect the consumer position to stabilise in an improving economy, and the trend in corporate impairments to move away from the unusually benign recent experience.

Our employee engagement scores have also improved significantly during the year, indicating that our people understand and are committed to our strategy, and we have improved our performance management processes in support of the Group strategy. We also strengthened our senior management team, with the addition of key hires in the Retail Bank.

Overall, I am pleased with the progress of the Group during 2005. We delivered on our financial plans and we also used the time to develop the franchise successfully in line with our growth strategy. We have continued to make good progress in each of the divisions, the highlights of which are summarised below.

In the *Retail Bank,* income grew 4 per cent whilst costs rose by just 1 per cent, on a comparable basis and excluding customer redress provisions. This led to 7 per cent growth in the trading surplus which was offset by an increase in the charge for impaired lending, reflecting an increase in customers experiencing repayment difficulties. Profit before tax reduced by 3 per cent. To reflect the general slowdown in the consumer credit markets, a number of actions were taken over the course of the year to tighten credit underwriting.

It is not in the interests of the individual customer or the Group to lend money to a customer who cannot afford to repay. The Group takes its responsibilities in this regard very seriously and has a responsible lending programme, to ensure we help our customers clearly understand the nature of the agreements they are entering into and we confirm affordability before agreeing to any borrowing requests. Where customers do experience repayment difficulties, our staff are trained to offer the necessary advice and support to manage their finances and we have a Customer Support Unit, whose role it is to identify customers who are showing early signs of financial difficulty so that we can provide early advice and support to them.

The Retail Bank is committed to achieving top performance in both effectiveness and efficiency. Effectiveness is the ability to recruit, develop and retain loyal customers who think of us first for their next financial services need. Efficiency is the ability to provide service and sales at a lower cost so that we can give our customers better value. We believe that in order to achieve our goal we must be customer rather than product centric.

We continue to focus our efforts on our existing customers where we have an information advantage that allows us to be more effective and efficient in providing sales and service that meet our customers' financial needs. We have also stepped up our new customer recruitment efforts, which has helped drive good target customer recruitment, particularly in the second half of the year, to give a 28 per cent increase over last year.

We have committed ourselves to earning the right to meet 100 per cent of our customers' financial services needs and helping them succeed financially. In 2005, we recorded our highest ever customer satisfaction scores across all our channels – branch, telephone and internet banking. The improvement in customer satisfaction and the renewed focus on meeting all our customers' financial services needs has helped to drive an improving sales performance during 2005, and has been accompanied by good balance growth in our key product lines with mortgages up 10 per cent, credit cards (excluding Goldfish) up 9 per cent and customer deposits 7 per cent higher. Sales through our internet and telephone channels grew strongly by 28 per cent and 39 per cent respectively.

In *Insurance and Investments*, profits showed significant growth, reflecting further success in delivering our strategies. Profit before tax, on a comparable basis and excluding the 2004 customer redress provision and the strengthening of reserves for mortality, increased by 15 per cent, underpinned by strong growth in both the bancassurance and IFA channels and continued control of costs. Profits grew strongly in both our life assurance and general insurance businesses.

Scottish Widows delivered a significant increase in sales as we focused on more profitable and more capital efficient business lines. This led to a 19 per cent increase in new business contribution. Bancassurance sales grew by 13 per cent despite a slowdown seen in the levels of mortgage related protection business. The sales of OEICs increased by 72 per cent, building on the launch of the simplified product suite that was introduced at the end of 2004.

IFA sales grew strongly with a 30 per cent improvement in weighted sales, underpinned by product and service improvements in pensions and investments. This improved performance led to an estimated market share of 6.8 per cent in 2005, compared to 5.9 per cent last year.

We have also invested in the development of new pensions and life platforms, and continue to develop our distribution capabilities. We remain well placed to benefit from the anticipated growth in savings and investment product sales over the coming years. The new life platform has already supported the launch of the new partnership with Virgin Money.

Scottish Widows remains strongly capitalised. In addition to the payment of a £200 million dividend to the Group in March 2005, Scottish Widows made a further £800 million distribution to the Group in December 2005 as part of our plans to improve capital efficiency. A second annual dividend will be paid in March 2006.

Our General Insurance business continued its successful development, delivering a 22 per cent growth in profits, supported by improvements to both the claims and combined ratios. The results reflect continued successful cross-sales to franchise customers in both retail and business banking as well as continued investment in our service performance, direct channel business and claims processing.

In *Wholesale and International Banking*, our results show excellent progress in our core businesses and the division delivered a 20 per cent improvement in profit before tax, on a comparable basis, at the same time as improving returns. The good results were achieved by the successful implementation of our strategies in Business Banking and

Corporate Markets, and these businesses will continue to provide the platform for profitable growth in the division. We again maintained our management discipline of positive jaws, with the rate of growth in income increasing by 10 per cent whilst costs grew by 7 per cent, partly reflecting the increase in investment costs necessary to fund the ongoing development of the division.

In Business Banking, we have again reported strong franchise growth winning increasing numbers of new customers both through attracting profitable 'switchers' from other banks and by cementing our position as the leader in the business start-ups market with a share of 22 per cent. We have continued to build stronger relationships with our customers, as we satisfy more of their needs, and this has been reflected in good balance growth in both customer lending and deposits, as well as fee income.

Corporate Markets has delivered another strong performance with a 31 per cent improvement in profits supported by a 27 per cent growth in income from the cross-sale of products. The results reflect our strategy of managing these businesses in an integrated manner in support of our customers' success. We were pleased to receive external recognition of our efforts as we won a range of awards including the CBI Bank of the Year Award 2005. Across the businesses, our asset quality remains very strong with impairment losses declining year on year. We are continuing to invest within Corporate Markets, in terms of our relationship offers, our product range and our infrastructure, to ensure we can meet even more of our customers' needs in a highly competitive market.

Turning to 2006, our objective across each of the divisions is to continue to improve sales performance and deepen our customer relationships, which will result in market share growth. To support our efficiency and productivity objectives, we will continue to focus on the centralisation and industrialisation of our manufacturing capabilities, take the next steps in our procurement programme and further embed our quality approach throughout the Group.

In support of our customer objectives, we have set stretching customer satisfaction targets and will continue to develop our products, policies and procedures in line with those targets. Our strong risk and control infrastructure remains an important element of our growth strategy and will be further enhanced as we seek to develop risk into a differentiating competency. We will also continue to focus on the development of our staff, whilst aiming for even stronger engagement scores.

In summary, 2005 was a good year for the Group. We delivered on our short-term financial goals whilst also investing in the long-term health of the business, which is necessary to drive sustainable future earnings growth. This is our last set of results under the chairmanship of Maarten van den Bergh and I would like to take this opportunity to record my appreciation for his major contribution to the Group over the past five and a half years. We are delighted that Sir Victor Blank will succeed him and we look forward to welcoming him to the Group shortly.

Continuing to grow a successful business is the best way for Lloyds TSB to create value for all our stakeholders and to contribute to the wider economy. We maintain one of the largest community investment programmes in the UK, supporting our customers and staff, and making a significant contribution to the local communities in which we operate. Since 1997, the Lloyds TSB Foundations have received over £250 million from the Group's pre-tax profits to distribute to community groups and in 2006 they will receive in excess of £30 million.

Finally, I would like to express my continued thanks to all of the staff who work for the Lloyds TSB Group. They remain committed to serving the needs of our customers and their wonderful efforts are the key element to our continued success.

J Eric Daniels
Group Chief Executive
23 February 2006

Corporate responsibility

Our corporate vision is to make Lloyds TSB the best financial services company, firstly in the UK then across borders.

Our corporate responsibility strategy is to help achieve our corporate vision by building a great place for our people to work, a great place for our customers to do business, and generating great returns for our shareholders. In so doing, we believe we create value for all our stakeholders.

We have strong evidence that there is a clear link between employee satisfaction and customer satisfaction, which in turn leads to improved financial performance. The business case for corporate responsibility is clear. Good management of corporate responsibility risks and opportunities is fundamental to delivering a successful business.

A great place for our people to work

We seek our employees' views on working for Lloyds TSB through our Engagement Index, a quarterly survey of all staff. Our employee engagement scores have reached record levels this year.

We have developed award-winning programmes in the areas of training and development, career management, work-life balance, diversity and community involvement.

A great place for our customers to do business

We are committed to deepening relationships with our customers by understanding and meeting their needs. We measure our customers' satisfaction with our service and track our progress through our 'CARE Index' which is based on information obtained from over 10,000 interviews with customers each month. The 'CARE Index' reached its highest ever level in 2005.

We use the Six Sigma process improvement approach to measure how well we meet our customers' requirements.

We have been at the forefront of developing financial services to help tackle the problems of financial exclusion; these include basic bank accounts, support for community credit unions and other community finance initiatives. We have opened 348,000 basic bank accounts for customers since 2003.

A great return for our shareholders

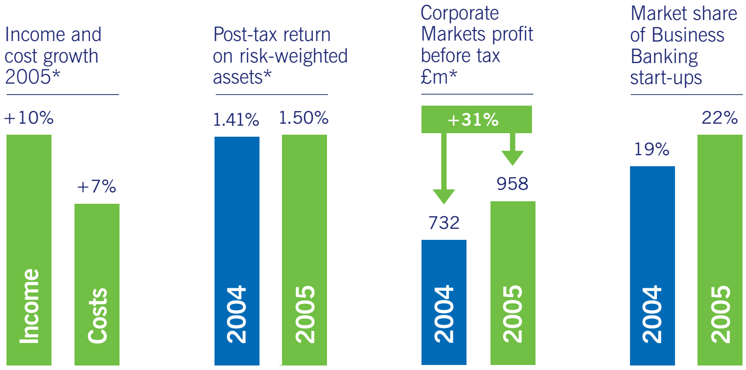
Through our corporate responsibility management system we identify social, ethical and environmental risks and opportunities. We were one of the first UK banks to introduce an environmental risk assessment system for our corporate and business lending.

Increasingly we are required to demonstrate our commitment to corporate responsibility to win business contracts. In turn, when awarding contracts to key suppliers we take account of their performance in areas of human rights, treatment of employees, treatment of their own customers and suppliers, the environment and the community.

By adopting these corporate responsibility policies we aim to provide a better return for our shareholders.

More information on all of the above issues is available in the Group's 2005 corporate responsibility report and there are details of how to obtain a copy on page 16.

In **Wholesale and International Banking** we are growing our earnings by deepening relationships with our customers



* Comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations.

Summary consolidated income statement

for the year ended 31 December 2005

	2005 £ milllion	2004 £ million
Net interest income	**5,671**	5,110
Other income	**17,055**	14,173
Total income	**22,726**	19,283
Insurance claims	**(12,186)**	(9,622)
Total income, net of insurance claims	**10,540**	9,661
Operating expenses	**(5,471)**	(5,297)
Trading surplus	**5,069**	4,364
Impairment losses on loans and advances	**(1,299)**	(866)
Profit (loss) on sale and closure of businesses	**50**	(21)
Profit before tax	**3,820**	3,477
Taxation	**(1,265)**	(1,018)
Profit for the year	**2,555**	2,459
Profit attributable to minority interests	**62**	67
Profit attributable to equity shareholders	**2,493**	2,392
Profit for the year	**2,555**	2,459
Basic earnings per share	**44.6p**	42.8p
Diluted earnings per share	**44.2p**	42.5p
Total dividend per share for the year*	**34.2p**	34.2p
Total dividend for the year*	**£1,915m**	£1,914m

	£000	£000
Directors' emoluments	**8,826**	8,478

* Total dividend for the year represents the interim dividend paid in October 2005 and the final dividend which will be paid and accounted for in May 2006.

Summary consolidated balance sheet

at 31 December 2005

	2005 £ milllion	2004 £ million
Assets		
Cash and liquid funds	**1,156**	1,170
Trading securities, derivatives and other financial assets at fair value through profit or loss	**66,252**	
Debt securities and equity shares		70,795
Loans and advances to banks	**31,655**	31,848
Loans and advances to customers	**174,944**	155,318
Available-for-sale financial assets	**14,940**	
Investment property	**4,260**	3,776
Intangible assets, including goodwill and the value of in-force business	**5,345**	6,860
Tangible fixed assets	**4,291**	4,180
Other assets*	**6,911**	10,475
Total assets	**309,754**	284,422
Liabilities		
Deposits by banks	**31,527**	39,723
Customer accounts	**131,070**	119,811
Derivative financial instruments and other trading liabilities	**6,396**	
Debt securities in issue	**39,346**	28,770
Insurance liabilities	**41,068**	53,651
Liabilities to customers under investment contracts	**21,839**	
Retirement benefit obligations	**2,910**	3,075
Subordinated liabilities	**12,402**	10,252
Other liabilities*	**12,566**	17,462
Total liabilities	**299,124**	272,744
Shareholders' equity	**10,195**	11,047
Minority interests	**435**	631
Total equity	**10,630**	11,678
Total equity and liabilities	**309,754**	284,422

* Other assets and liabilities in 2004 include foreign exchange and interest rate derivative contracts, which are reported within separate captions in 2005.

The summary financial statement, comprising the summary consolidated income statement on page 10, the summary consolidated balance sheet on page 11 and the directors' remuneration commentary on pages 12 and 13, was approved by the directors on 23 February 2006.

Maarten A van den Bergh
Chairman

J Eric Daniels
Group Chief Executive

Helen A Weir
Group Finance Director

Five year financial summary

	IFRS		UK GAAP			
	2005	2004	2004	2003	2002	2001
Statutory results £m						
Profit before tax	**3,820**	3,477	3,493	4,348	2,618	3,167
Profit for the year	**2,555**	2,459	2,489	3,323	1,852	2,290
Profit attributable to equity shareholders	**2,493**	2,392	2,421	3,254	1,790	2,233
Economic profit	**1,616**	1,448	1,525	2,493	830	1,123
Share information						
Basic earnings per share	**44.6p**	42.8p	43.3p	58.3p	32.1p	40.4p
Dividends per share (net)	**34.2p**	34.2p	34.2p	34.2p	34.2p	33.7p
Market price (year-end)	**488.5p**	473p	473p	448p	446p	746p
Number of shareholders (thousands)	**920**	953	953	974	973	981
Number of ordinary shares in issue (millions)	**5,603**	5,596	5,596	5,594	5,583	5,564
Performance measures %						
Post-tax return on average shareholders' equity	**25.6**	22.8	24.3	38.5	16.8	18.1
Post-tax return on average risk-weighted assets	**1.81**	1.99	2.01	2.63	1.62	2.26
Cost:income ratio*	**51.9**	54.8	51.4	52.2	55.3	53.7
Balance sheet	**31 December 2005**	1 January 2005	31 December 2004	31 December 2003	31 December 2002	31 December 2001
Shareholders' equity (£m)	**10,195**	9,489	9,977	9,624	7,943	10,326
Net assets per share (pence)	**180p**	167p	176p	170p	140p	183p
Total assets (£m)	**309,754**	292,854	279,843	252,012	252,561	235,501
Capital ratios: total capital (%)	**10.9**	10.1	10.0	11.3	9.6	8.8
tier 1 capital (%)	**7.9**	8.2	8.9	9.5	7.7	7.7

* Total operating expenses divided by total income, net of insurance claims.

Summary directors' report

An interim dividend of 10.7p per ordinary share was paid on 5 October 2005 and a final dividend of 23.5p per ordinary share will be paid on 3 May 2006.

The Company is a holding company and its subsidiaries provide a wide range of banking and financial services through branches and offices in the UK and overseas.

A review of the business and an indication of future developments are given on pages 3 to 9.

Biographical details of directors are shown on pages 14 and 15. Dr Gibson-Smith and Mr Pritchard left the board at the annual general meeting in 2005. Mr Ayliffe left the board on 31 January 2005.

Sir Julian Horn-Smith joined the board on 1 January 2005 and was elected at the annual general meeting on 5 May 2005.

Ms Dial joined the board on 1 June 2005, Mr du Plessis and Lord Leitch joined the board on 1 October 2005 and Sir Victor Blank joins the board on 1 March 2006. In accordance with the articles of association, they offer themselves for election at the annual general meeting.

Also in accordance with the articles of association, Mr Kane retires at the annual general meeting and offers himself for re-election.

Particulars of the directors' interests in shares in the Company are shown in the full report and accounts.

Directors' remuneration

Full details of the Group's remuneration policy for directors as well as details of remuneration earned by directors in 2005 appear in the directors' remuneration report within the full report and accounts. This may also be seen in the investor relations section of the Group's website, at www.lloydstsb.com, or a copy may be obtained by completing and returning the request form which accompanies this annual review. At the annual general meeting, shareholders will be asked to approve the directors' remuneration report.

Summaries of selected sections of the directors' remuneration report are included in this review.

The Group's policy is to ensure that individual rewards are aligned with Lloyds TSB Group's performance and the interests of shareholders. Packages are designed to attract and retain executive directors and senior management of the highest calibre and to motivate them to perform to the highest standards. In early 2005 the remuneration committee initiated a comprehensive and independent policy review resulting in a number of policy changes and a recommendation to shareholders of the adoption of a new long-term incentive plan.

The overall package reflects practice for comparable positions in the market in which the Group operates (FTSE 20) and also takes account of the terms and conditions applying to other employees of the Group. The policy is for basic salaries to reflect the relevant market median, and total direct compensation (basic salary, annual incentives and the value of long-term incentives) to reward upper quartile performance with upper quartile remuneration. This policy is consistent with the Group's belief that performance should determine a significant proportion of the total remuneration package for executive directors.

The package for executive directors comprises basic salary, a bonus receivable under the annual incentive scheme (paid in cash and deferred shares), share options (which are exercisable only if challenging performance conditions are satisfied) and a pension based on either salary and length of service with the Group, with a maximum pension of two-thirds of final salary, or defined contributions, where the final entitlement will depend on their contributions and the final value of their fund.

Newly appointed executive directors' pensions are based on defined contributions or they may elect to receive a salary supplement. The executive directors and the chairman are also eligible to participate in the staff share incentive plan and 'sharesave' option scheme on the same basis as other employees.

The 2005 annual bonus opportunity for executive directors was equal to 150 per cent of salary. The overall bonus pot is linked to profit before tax and economic profit. Under the performance share plan, directors will be required to defer 50 per cent of their annual bonus into shares in the Group, known as 'bonus shares', which will be held on behalf of the executive for a period of three years before release. Provided a performance condition (Total Shareholder Return (TSR) against a comparator group calculated by reference to both dividends and growth in share price) is met and the executive remains in employment, additional shares will be awarded after three years to match the bonus shares. Two matching shares will be awarded for each bonus share if the Group is placed first in the comparator group. No shares will be awarded if the Group is placed below median. There is no retesting of the performance condition.

From 2006 the current bonus pool arrangement for executive directors will be discontinued and replaced by an approach based upon individual contribution and overall corporate results. From 2006 Mr Daniels' bonus opportunity will also be increased to 175 per cent of basic salary for exceptional performance, to close the gap with market levels. Similarly, Mr Daniels' bonus award will be based upon overall corporate results and individual performance. However, an amount equivalent to 75 per cent (112.5 per cent for Mr Daniels) of basic salary will remain available to executive directors on the achievement of stretching targets.

Options granted in 2005 under the executive share option scheme will only be exercisable if a performance condition linked to TSR against a comparator group is met. The option is exercisable in full if the Group is placed fourth in the comparator group and the option will lapse if it is placed ninth or below. 30 per cent of the options granted will be exercisable if the Group is placed at median of the comparator group. There will be no retesting of the performance condition.

It is proposed that further grants under the performance share plan and the executive share option scheme will not be awarded after 2006. From 2007, therefore, awards under the bonus scheme will be cash only. Shareholders are being asked at the annual general meeting to approve the replacement of the executive share option scheme and the performance share plan with a new long-term incentive plan.

Under the proposed long-term incentive plan, awards of shares may be made, with the receipt of shares and the number of shares received subject to the satisfaction of two distinct pre-determined performance conditions, measuring performance of the Group over a three year period. 50 per cent of the award will be based on a condition measuring the Group's TSR against the comparator group of 14 financial services companies. The remaining 50 per cent will be based on earnings per share growth calculated on a compound annualised basis. Awards in any one financial year will not normally exceed three times basic salary at the time of award. In exceptional circumstances this may be increased to up to four times basic salary. Awards will lapse at the end of the performance period to the extent that the performance conditions have not been satisfied. There will be no retesting of the performance conditions. The aim of the plan is to deliver shareholder value by linking the receipt of shares to an improvement in the performance of the Group over a three year period.

Executive directors will also now be expected to build a shareholding in the Group equivalent to 1.5 times (2 times for Mr Daniels) basic salary over a period of four years.

The general Group policy is for executive directors to have service agreements with notice periods of no greater than one year, to reflect current corporate governance best practice. It is the Group's policy that where compensation on early termination is due, it should be paid on a phased basis and subject to mitigation.

The fees of the independent non-executive directors are agreed by the board within a total amount determined by the shareholders. They may also receive fees, agreed by the board, for membership of board committees. The fees are designed to recognise the responsibilities of a non-executive director's role and to attract individuals with relevant skills, knowledge and experience. The fees are neither performance related nor pensionable and are comparable to those paid by other companies. Independent non-executive directors who serve on boards of subsidiary companies may also receive fees from the subsidiaries. They do not have service agreements and, in accordance with the articles of association, their appointment may be terminated at any time without compensation.

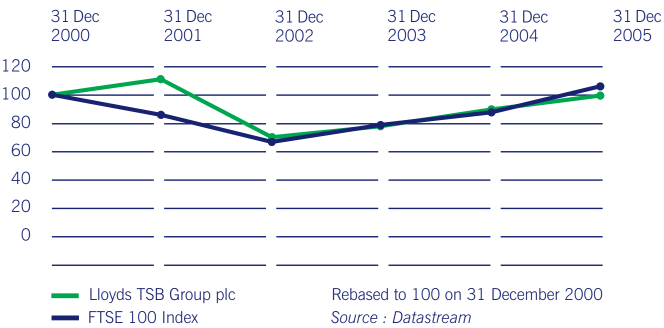
Summary of emoluments paid to directors

	2005 £000	2004 £000
Aggregate emoluments paid to directors	**8,826**	8,478
Aggregate gains made by directors on exercise of share options	**1,077**	–
Aggregate value of assets receivable under long-term incentive schemes	**–**	–
Aggregate company contributions in respect of directors to defined contribution pension schemes	**103**	75
Number of directors with retirement benefits accruing under:		
– defined contribution schemes	**2**	2
– defined benefit schemes	**5**	6

Performance graph

This graph illustrates the performance of Lloyds TSB Group plc and the FTSE 100 index over the past five years. Performance is measured by total shareholder return (share price growth plus dividends).

Comparative TSR



The board

Non-executive directors

Maarten A van den Bergh◆◆++
Chairman
(retiring at the annual general meeting on 11 May 2006)
Joined the board in 2000 as deputy chairman and was appointed chairman in 2001. Joined the Royal Dutch/Shell Group of companies in 1968 and after a number of senior and general management appointments in that group, became group managing director in 1992. Appointed president of Royal Dutch Petroleum Company and vice chairman of the committee of managing directors of the Royal Dutch/Shell Group in 1998 and continued in these roles until 2000. A non-executive director of Royal Dutch Shell, BT Group and British Airways, and a member of the supervisory board of Akzo Nobel. Aged 63.

Sir Victor Blank
Deputy Chairman
(succeeding Maarten van den Bergh as chairman)
Joins the board on 1 March 2006 as deputy chairman. Will succeed Maarten van den Bergh as chairman following the annual general meeting in May 2006. Former partner in Clifford-Turner (now Clifford Chance) from 1969 to 1981 and chairman and chief executive of Charterhouse until 1997. Director of The Royal Bank of Scotland from 1985 to 1993. Chairman of GUS and Trinity Mirror (until May 2006) and a member of the Financial Reporting Council and of the Council of Oxford University. Chairs two charities, WellBeing of Women and UJS Hillel, as well as the Council of University College School. Aged 63.

Wolfgang C G Berndt✠††
Joined the board in 2003. Joined Procter and Gamble in 1967 and held a number of senior and general management appointments in Europe, South America and North America, before retiring in 2001. A non-executive director of Cadbury Schweppes and GfK AG. Board member of the Institute for the Future. Aged 63.

Ewan Brown CBE FRSE▲◆+**
Chairman of Lloyds TSB Scotland
Joined the board in 1999. A non-executive director of Lloyds TSB Scotland since 1997. Joined Noble Grossart in 1969 and was an executive director of that company until December 2003. Chairman of Transport Initiatives Edinburgh. A non-executive director of John Wood Group, Noble Grossart and Stagecoach Group. Aged 63.

Jan P du Plessis✠*
Joined the board in October 2005. Chairman of British American Tobacco and RHM. Held a number of senior and general management appointments in Rembrandt Group from 1981, before joining Compagnie Financière Richemont as group finance director in 1988, a position he held until 2004. From 1990 to 1995 he was also the group finance director of Rothmans International. Aged 52.

Gavin J N Gemmell CBE✠*
Chairman of Scottish Widows
Joined the board in 2002. A non-executive director of Scottish Widows, having been appointed to the board of that company before it became a member of the Lloyds TSB Group. Retired as senior partner of Baillie Gifford in 2001, after 37 years with that firm. A non-executive director of Archangel Informal Investment. Chairman of the Court of Heriot-Watt University. Aged 64.

Sir Julian Horn-Smith✠†+
Joined the board in January 2005. Joined Vodafone in 1984 and held a number of senior and general management appointments before being appointed to the board of that company in 1996 and deputy chief executive officer in 2005. Previously held positions in Rediffusion from 1972 to 1978, Philips from 1978 to 1982 and Mars GB from 1982 to 1984. A non-executive director of Smiths Group. Aged 57.

DeAnne S Julius CBE✠†◆
Joined the board in 2001. Held a number of senior appointments in the UK and USA with the World Bank, Royal Dutch/Shell Group and British Airways, before membership of the Bank of England Monetary Policy Committee from 1997 to 2001. Chaired HM Treasury's banking services consumer codes review group in 2000/1. Chairman of the Royal Institute of International Affairs. A non-executive director of BP, Serco Group and Roche Holdings SA. Aged 56.

Angela A Knight✠*
Joined the board in 2003. Deputy chairman of Scottish Widows, having been appointed to the board of that company before it became a member of the Lloyds TSB Group. A member of parliament from 1992 to 1997 and Economic Secretary to the Treasury from 1995 to 1997. Chief executive of the Association of Private Client Investment Managers and Stockbrokers. A non-executive director of LogicaCMG and the Port of London Authority. Aged 55.

Lord Leitch✠*
Joined the board in October 2005. Held a number of senior and general management appointments in Allied Dunbar, Eagle Star and Threadneedle Asset Management before the merger of Zurich Group and British American Tobacco's financial services businesses in 1998. Subsequently served as chairman and chief executive officer of Zurich Financial Services (UK & Asia Pacific) until his retirement in 2004. Chairman of HM Treasury's Review of Skills and the National Employment Panel, and deputy chairman of the Commonwealth Education Fund. A non-executive director of United Business Media and BUPA. Aged 58.

* Member of the audit committee
** Chairman of the audit committee
◆ Member of the nomination committee
◆◆ Chairman of the nomination committee
† Member of the remuneration committee
†† Chairman of the remuneration committee
+ Member of the risk oversight committee
++ Chairman of the risk oversight committee
✠ Independent director
▲ Senior independent director

Executive directors

J Eric Daniels
Group Chief Executive
Joined the board in 2001 as group executive director, UK retail banking before his appointment as group chief executive in June 2003. Served with Citibank from 1975 and held a number of senior and general management appointments in the USA, South America and Europe before becoming chief operating officer of Citibank Consumer Bank in 1998. Following the Citibank/Travelers merger in 1998, he was chairman and chief executive officer of Travelers Life and Annuity until 2000. Chairman and chief executive officer of Zona Financiera from 2000 to 2001. Aged 54.

Michael E Fairey
Deputy Group Chief Executive
Joined TSB Group in 1991 and held a number of senior and general management appointments before being appointed to the board in 1997 and deputy group chief executive in 1998. Joined Barclays Bank in 1967 and held a number of senior and general management appointments, including managing director of Barclays Direct Lending Services from 1990 to 1991. President of The British Quality Foundation. Aged 57.

Terri A Dial
Group Executive Director
UK Retail Banking
Joined the board in June 2005. Served with Wells Fargo in the USA from 1973 to 2001 where she held a number of senior and general management appointments before becoming president and chief executive officer of Wells Fargo Bank in 1998. A non-executive director of the LookSmart Corporation and Onyz Software. Aged 56.

Archie G Kane
Group Executive Director
Insurance and Investments
Joined TSB Commercial Holdings in 1986 and held a number of senior and general management appointments in Lloyds TSB Group before being appointed to the board in 2000, as group executive director, IT and operations. Appointed group executive director, insurance and investments in October 2003. After some 10 years in the accountancy profession, joined General Telephone & Electronics Corporation in 1980, serving as finance director in the UK from 1983 to 1985. Aged 53.

G Truett Tate
Group Executive Director
Wholesale and International Banking
Joined the Group in 2003 as managing director, corporate banking before being appointed to the board in 2004. Served with Citigroup from 1972 to 1999, where he held a number of senior and general management appointments in the USA, South America, Asia and Europe. He was president and chief executive officer of eCharge Corporation from 1999 to 2001 and co-founder and vice chairman of the board of Chase Cost Management Inc from 1996 to 2003. Aged 55.

Helen A Weir
Group Finance Director
Joined the board in 2004. Group finance director of Kingfisher from 2000 to 2004. Previously finance director of B&Q from 1997, having joined that company in 1995, and held a senior position at McKinsey & Co from 1990 to 1995. Began her career at Unilever in 1983. A non-executive director of Royal Mail Holdings and a member of the Accounting Standards Board. Aged 43.

Company Secretary
Alastair J Michie FCIS FCIBS

Information for shareholders

Share price information

In addition to listings in the financial pages of the press, the latest price of Lloyds TSB shares on the London Stock Exchange can be obtained by telephoning 0906 877 1515. Calls are charged at 55p per minute including VAT.

Visit www.londonstockexchange.com for details.

Share dealing facilities

A full range of dealing services is available through Lloyds TSB Registrars.

For internet dealing, the current rate of commission for both purchases and sales is 0.5%: minimum £17.50. Visit www.shareview.co.uk/dealing for full details.

For telephone dealing, the current rate for both purchases and sales is 0.5%: minimum £20. For full details, contact Lloyds TSB Registrars on: 0870 850 0852.

For postal dealing, the current rate for both purchases and sales is 0.75%: no minimum. For full details, contact Lloyds TSB Registrars on: 0870 242 4244.

American Depositary Receipts (ADRs)

Lloyds TSB shares are traded in the USA through an NYSE-listed sponsored ADR facility, with The Bank of New York as the depositary. The ADRs are traded on the New York Stock Exchange under the symbol LYG. The CUSIP number is 539439109 and the ratio of ADRs to ordinary shares is 1:4.

For more information contact: The Bank of New York, Investor Services, PO Box 11258, Church Street Station, New York, NY 10286-1258. Telephone: 888 BNY ADRS (US toll free), international callers: +1 212 815 3700.

Alternatively visit www.adrbny.com or email shareowners@bankofny.com

Individual Savings Accounts (ISAs)

The Company provides a facility for investing in Lloyds TSB shares through an ISA. For details contact Retail Investor Operations, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6UY. Telephone 0870 242 4244.

Corporate responsibility

A copy of the Group's corporate responsibility report may be obtained by writing to Corporate Responsibility, Lloyds TSB Group plc, 25 Gresham Street, London EC2V 7HN. This information together with the Group's code of business conduct is also available on the Group's website.

Shareholder enquiries

The Company's share register is maintained by Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA. Telephone 0870 600 3990; textphone 0870 600 3950.

Contact them if you have enquiries about your Lloyds TSB shareholding, including those concerning the following matters:

- change of name or address
- loss of share certificate, dividend warrant or tax voucher
- obtaining a form for dividends to be paid directly to your bank or building society account (tax vouchers will still be sent to your registered address unless you request otherwise)
- obtaining details of the dividend reinvestment plan which enables you to use your cash dividends to buy Lloyds TSB shares in the market
- requesting copies of the report and accounts in alternative formats for shareholders with disabilities.

Lloyds TSB Registrars operates a web based enquiry and portfolio management service for shareholders. Visit www.shareview.co.uk for details.

Auditors' report

The auditors' report on the full accounts for the year ended 31 December 2005 was unqualified and did not include a statement under sections 237(2) (accounting records or returns inadequate or accounts not agreeing with records and returns) or 237(3) (failure to obtain necessary information and explanations) of the UK Companies Act 1985.

Independent auditors' statement to the members of Lloyds TSB Group plc

We have examined the summary financial statement, comprising the summary consolidated income statement on page 10, the summary consolidated balance sheet on page 11 and the directors' remuneration commentary on pages 12 and 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual review in accordance with applicable law. Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the annual review with the annual financial statements, directors' report, and directors' remuneration report, and its compliance with the relevant requirements of section 251 of the UK Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the annual review and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Our statement, including this opinion, has been prepared for and only for the Company's members as a body in accordance with Section 251 of the United Kingdom Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6 *The auditors' statement on the summary financial statement* issued by the Auditing Practices Board for use in the United Kingdom.

Opinion

In our opinion the summary financial statement, comprising the summary consolidated income statement on page 10, the summary consolidated balance sheet on page 11 and the directors' remuneration commentary on pages 12 and 13, is consistent with the annual financial statements, directors' report and directors' remuneration report of Lloyds TSB Group plc for the year ended 31 December 2005 and complies with the applicable requirements of section 251 of the Companies Act 1985, and the regulations made thereunder.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Southampton, England
23 February 2006

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Financial calendar 2006

24 February
Results for 2005 announced

8 March
Ex-dividend date for 2005 final dividend

10 March
Record date for final dividend

5 April
Final date for joining or leaving the dividend reinvestment plan for the final dividend

3 May
Final dividend paid

11 May
Annual general meeting in Glasgow

2 August
Results for half-year to 30 June 2006 announced

9 August
Ex-dividend date for 2006 interim dividend

11 August
Record date for interim dividend

6 September
Final date for joining or leaving the dividend reinvestment plan for the interim dividend

4 October
Interim dividend paid

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Forward looking statements

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. Lloyds TSB 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 or regulatory actions, changes in customer preferences, competition and other factors. Please refer to the Annual Report on Form 20-F of Lloyds TSB Group filed with the US Securities and Exchange Commission for a discussion of such factors.

Lloyds TSB Group