# Annual Review 2006

## Building long-term relationships

Lloyds TSB | for the journey...

# Our vision

**To be the best financial services organisation in the UK**

We will achieve this by:

**Building strong customer franchises, that are based on deep customer relationships**
- that give value to the customer
- that give sustainable earnings growth to the shareholder

**Executing brilliantly**
- flawlessly for the customer
- doing what we say we are going to do

**Managing our most valuable resource, people**

# Our strategy

**Phase 1 – focus on core markets**
- successfully enhanced earnings quality
- exited businesses not regarded as core and/or unnecessarily volatile

**Phase 2 – build customer franchises**
- extending reach and depth of customer relationships
- enhancing product capabilities to build competitive advantage
- improving processing efficiency
- working capital harder

**Phase 3 – expand from strength**
- look to leverage our financial strength and enhanced capabilities
- new product, customer and geographical markets

# Our business priorities

**UK Retail Banking**
- grow income from existing customer base
- grow income from new customers
- improve productivity

**Insurance and Investments**
- maximise bancassurance success
- profitably grow the IFA distribution channel
- continue to improve operational efficiency and cost management
- optimise capital management

**Wholesale and International Banking**
- grow the Corporate Markets business
- build on the growth momentum in Business Banking

# Group key performance indicators

## Profit analysis by division

| | 2006 £ million | 2005 £ million |
|---|---|---|
| **UK Retail Banking** | | |
| - Before provisions for customer redress | 1,549 | 1,470 |
| - Provisions for customer redress | – | (150) |
| | 1,549 | 1,320 |
| **Insurance and Investments** | | |
| - Before strengthening of reserves for mortality | 973 | 880 |
| - Strengthening of reserves for mortality | – | (155) |
| | 973 | 725 |
| **Wholesale and International Banking** | 1,640 | 1,524 |
| **Central group items** | | |
| - Before pension schemes related credit | (449) | (424) |
| - Pension schemes related credit | 128 | – |
| | (321) | (424) |
| **Profit before tax – excluding volatility and profit on sale and closure of businesses** | 3,841 | 3,145 |
| Volatility* | | |
| - Banking | (3) | (124) |
| - Insurance | 84 | 438 |
| - Policyholder interests | 326 | 311 |
| Profit on sale and closure of businesses** | – | 50 |
| **Profit before tax** | 4,248 | 3,820 |
| **Earnings per share** | 49.9p | 44.6p |

* Volatility relates to Insurance and Investments (2006: £410 million, 2005: £749 million) and Central group items (2006: £(3) million, 2005: £(124) million).

** On a statutory basis, profit on sale and closure of businesses in 2005 relates to UK Retail Banking (profit of £76 million), Wholesale and International Banking (loss of £6 million) and Central group items (loss of £20 million).

## Group key highlights

- Statutory profit before tax increased by 11 per cent to £4,248 million.
- Balanced and continuing trading momentum with income up 6 per cent and trading surplus up 11 per cent.†
- Excellent cost control. Income growth of 6 per cent exceeded cost growth of 2 per cent.†
- Productivity improvement programme ahead of schedule.
- Impairment up 20 per cent; overall credit quality remains satisfactory.
- Capital ratios remain robust.
- Post-tax return on average shareholders' equity remained strong at 25.1%.†

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.

## Final dividend

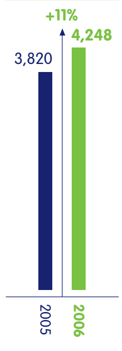
A final dividend of 23.5p per share will be paid on 2 May 2007. This makes a total dividend for 2006 of 34.2p (2005: 34.2p).

## Presentation of information

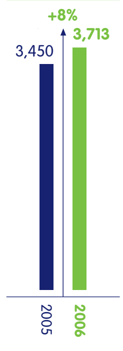
The impact of the implementation of International Financial Reporting Standards ('IFRS') in 2005, and in particular the increased use of fair values, has led to greater earnings volatility than was previously the case under UK GAAP. In order to provide a more comparable representation of underlying business performance, this volatility has been separately analysed for the Group's insurance and banking businesses. In addition, the profit and loss on the sale and closure of businesses in 2005 has been separately analysed in the Group's results. A reconciliation of this basis of presentation to the statutory profit before tax is shown on this page. Certain commentaries separately analyse the impact in 2006 of the one-off pension schemes related credit and, in 2005, of customer redress provisions and the strengthening of reserves for mortality.

## Group – financial

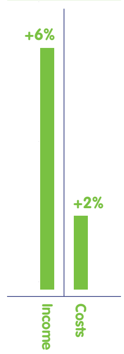
**Statutory profit before tax £m**



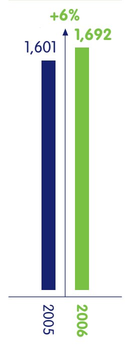

**Profit before tax £m†**



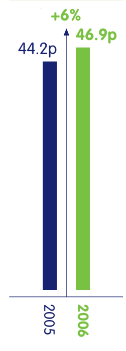

**Income and cost growth 2006†**



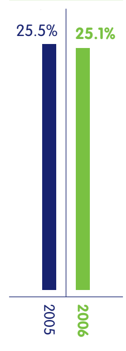

**Economic profit £m†**




**Earnings per share†**

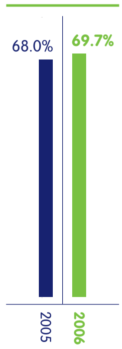



**Return on equity†**

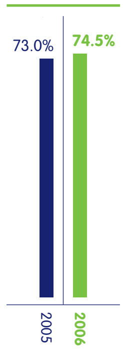



## Group – non-financial

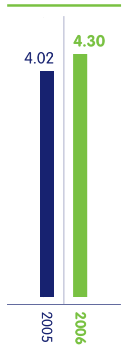
**Customer service index**




**Employee engagement index**

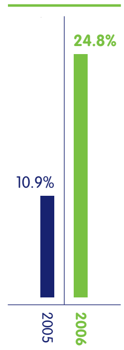



**Service quality index**




## Total shareholder return

**Total shareholder return**

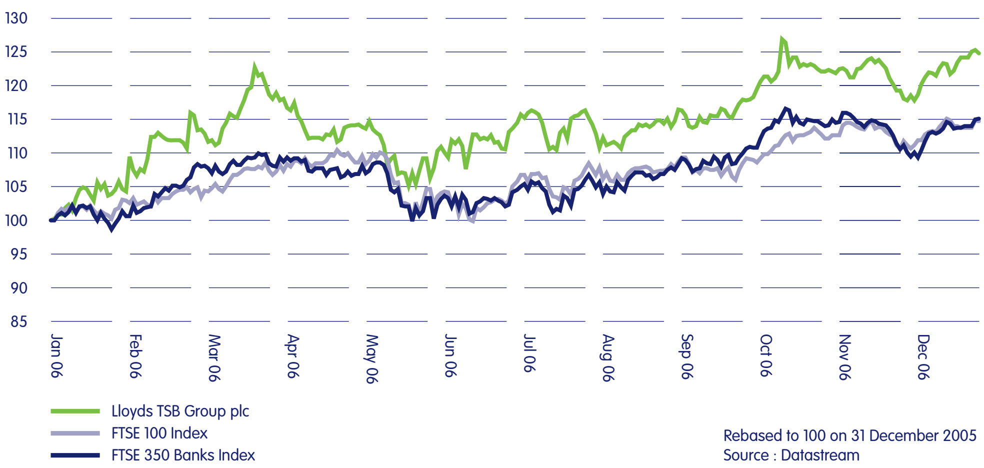



† Excluding volatility, pension schemes related credit and, in 2005, profit on sale and closure of businesses, customer redress provisions and strengthening of reserves for mortality.

# We are building our business by

- deepening customer relationships
- enhancing product capabilities
- improving processing efficiency
- working capital harder

## 24.8% total return to shareholders




I am delighted to be able to report that the Group has delivered another strong performance – building on the improved earnings momentum that has been achieved over the last few years.

**Group overview**

The real strength of Lloyds TSB lies in its broadly based, well positioned set of businesses in both the retail and corporate financial services markets. During 2006 we performed strongly throughout the Group but, equally importantly, each division continues to build its franchises for long-term, sustainable growth. In each division we have strong customer relationships, broad distribution strength and well respected brands. We see in each rising levels of customer satisfaction and advocacy, strong sales performances, high levels of new customer recruitment and greater relationship depth. There are, of course, challenges in our market place – slow growth in consumer credit markets, increased levels of impairment and an ongoing regulatory burden. But we are confident in our ability to continue to perform well.

In the Retail Bank, we have a leading market share of current accounts, with 21 per cent of the UK market. We also have a strong position in many other key product areas, such as savings, mortgages and credit cards, and an excellent distribution network, with over 2,000 branches and one of Europe's leading telephone and internet banks. Our Insurance and Investments division benefits from having one of the UK's most recognised life and pensions brands in Scottish Widows, and we also have a very successful general insurance business. In our Wholesale and International Banking division, we have strong customer portfolios in both corporate banking, where Lloyds TSB was once again rated the best corporate bank in the UK by the Confederation of British Industry, and in small business banking, where we have maintained a leading position in the key small business start-up sector, an important feeder market. All of these businesses are focused on better meeting the needs of all our customers, and ensuring that Lloyds TSB is a bank that continues to build life-long customer relationships.

Over the last few years our management team has achieved a great deal against its twin objectives: to improve the financial performance of the Group significantly, and to invest for the future in building strong customer franchises. In this way we will continue to create value for you, our shareholders.

The board has declared a final dividend of 23.5p per share, making a total for the year of 34.2p (2005: 34.2p). This represents a dividend yield of 6 per cent, calculated using the 31 December 2006 share price of 571.5p.

**Corporate responsibility**

Alongside our twin objectives, the Group looks to benefit the broader community. Lloyds TSB staff continue to support a wide range of community programmes, giving of their time and energy as well as providing financial resource. We are immensely proud of the work that the Lloyds TSB Foundations do throughout the UK, making a significant difference to the lives of so many thousands of people each year. In 2006 we gave £34 million in support of the work of the Lloyds TSB Foundations and this figure will increase to £37 million in 2007. Over the last 10 years, we have given a total of over £300 million to the Foundations, making Lloyds TSB one of the largest charitable donors in the United Kingdom.

We recognise the challenge posed by global climate change and we are committed to making meaningful reductions in our carbon footprint. We have already set a target to reduce property related $CO_2$ emissions by 30 per cent, and we aim to enhance this plan through the introduction of a carbon management programme and other initiatives. In addition, through Lloyds TSB Corporate Markets, we continue to invest in renewable energy projects.

**People**

For me, one of the real delights of the last few months has been the opportunity to get to know so many people at all levels in Lloyds TSB. What I have found is a tremendous 'buzz' around the Group created by the enthusiasm, the dedication, the professionalism and the desire to succeed of all the staff I have met. An example, of course, is set from the top by our very high calibre senior management team – a number of whom have recently joined the Group, who are so committed to growing our businesses successfully, and they encourage what is already a high performance culture across the organisation. We operate in a highly complex, ever changing environment and in a challenging and competitive world. It is the continuing and committed endeavours of our staff that enable us to achieve success. On behalf of the board, I would like to thank the whole of the Lloyds TSB team most sincerely for their continued commitment and hard work.

**Board changes**

Maarten van den Bergh retired as chairman of Lloyds TSB Group at the end of the last annual general meeting, having served the Group so well over five years. I want to pay tribute to Maarten's tremendous contribution and to thank him on behalf of the board, the staff and the shareholders.

Angela Knight left at the end of October following her appointment as chief executive of the British Bankers Association. In that role she will provide great leadership to our industry, but we will miss her contribution on the board. We wish her great success in her new role. DeAnne Julius has decided to retire from the board at the annual general meeting, having served as a non-executive director for more than five years. We shall miss her wide experience and wise counsel.

We wish them all well for the future.

**Outlook**

We continue to invest in the quality of service we give to our customers and in the quality of the people we employ to serve them. As a result, we have seen improvements in our customer satisfaction and customer advocacy scores, in our employee engagement scores and in our sales performance. Taken together with our balance of quality performing businesses, I believe this puts Lloyds TSB in great shape for 2007 and beyond.

**Sir Victor Blank**
Chairman
22 February 2007

# In Retail Banking

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

# In Insurance and Investments

**our focus is on profitability and returns, combined with strong new business sales and capital management**

# In Wholesale and International Banking

**we are growing our earnings by deepening relationships with our business and corporate customers**

2006 was another strong year for the Group as we continued to make progress against our strategic plan and delivered both good growth and high returns. We are reporting† a growth in profits of 8 per cent and a 25.1 per cent return on equity, building on the momentum established in recent years. We also achieved a total return for shareholders of 24.8 per cent, which compares very favourably to our peers.

The results reflect a strong performance across each of our three divisions, as we delivered good profitable growth in each, and once again we delivered positive jaws as the rate of growth in income exceeded that of costs.

Our business model is based on building long-lasting relationships with our customers, meeting more of their financial needs and thereby generating sustainable, high quality earnings growth. Our success is reflected in higher customer satisfaction scores, rising levels of customer recruitment and a significant increase in sales. We are continuing to grow strong customer franchises that support our future development.

We have established a strong track record of driving efficiency improvements and I am pleased that in 2006 we improved our cost:income ratio to 50.8 per cent, from 52.8 per cent in 2005. This was achieved by our continued commitment to a range of quality improvement programmes such as lean manufacturing, which enable us to enhance the service we deliver to our customers at a lower cost. We have extended our group wide efficiency programme that is also allowing us to structurally reduce our cost base. As we continue to improve our efficiency and effectiveness, we are creating additional capacity for further investment to support our future growth plans.

As we expected, we have seen signs of stabilisation in the unsecured consumer portfolio, which resulted in a reduction in retail impairments in the second half of the year. This reflects our long established focus on lending to existing customers, where we have better information, and tightening in our credit criteria in previous periods. Our secured consumer portfolios remain in good shape, reflecting our traditional emphasis on the prime mortgage market place. In the Corporate sector, asset quality has remained strong, with the increase in impairments reflecting a reduction in recoveries, compared to last year.

One of the cornerstones of our business model is engaging our staff as we believe this is critical to driving customer satisfaction. I am pleased that we again achieved record employee engagement scores in 2006. These scores match those achieved by other high performing companies, and reflect the focus we place on developing our people in support of our strategy. We have also continued to strengthen the broader management team, which is enhancing our ability to grow the business in a sustainable fashion.

I am pleased with the progress we made during the year. In line with the second phase of our strategic plan, we are building strong customer franchises, improving our product capabilities, enhancing our processing efficiency and working our capital harder. We have made considerable progress across each of the divisions.

The Retail Bank delivered a 5 per cent improvement in profit before tax, as the rate of revenue growth accelerated from 3 per cent in the first half to 6 per cent in the second. The strong growth in the trading surplus, up 10 per cent, was underpinned by positive jaws of 6 percentage points as income growth of 4 per cent was accompanied by productivity improvements that led to costs being reduced by 2 per cent.

The Retail Bank has made considerable progress against its key priorities. By enhancing our customer service, re-engineering processes and developing a series of new and innovative products and services, we are able to offer customers compelling reasons to choose Lloyds TSB.

The success is reflected, for instance, in increased levels of new target current account customer recruitment, which rose 59 per cent year-on-year. In addition, total sales volumes in the Retail Bank grew by 16 per cent, led by a 30 per cent increase in branch sales. Of particular note has been the change in the sales mix and the development of better quality, more annuity-like revenue streams through increased volumes of savings and bancassurance products.

In Insurance and Investments, profit before tax on a like-for-like basis increased by 15 per cent. We have excellent income growth, of 12 per cent, and firm cost control, which resulted in positive jaws of 6 percentage points. Each of the businesses within the division performed strongly and we saw good profitable growth through both the branch network and IFA distribution channels.

Scottish Widows delivered another very good performance, with sales rising 24 per cent on the prior year and we increased our new business profit by 36 per cent. We continue to deliver on our bancassurance performance, with a 62 per cent increase in sales, supported by our simplified product range and new customer offers. In the IFA channel, our emphasis is on growing the business profitably and we saw an increase in sales of 14 per cent.

Scottish Widows remains very well capitalised and in addition to the payment of a £206 million regular dividend to the Group in March 2006, a further £540 million distribution was made in December 2006. We continue to explore a number of opportunities to repatriate further surplus capital from Scottish Widows in 2007.

Our General Insurance business continued to grow successfully, delivering a 16 per cent growth in profits. The results particularly reflect the growth in sales to our franchise customers in retail and Business Banking, as well as continued investment in enhancing our service performance and claims processing capacity.

In Wholesale and International Banking, we made further excellent progress in our core businesses with the division delivering an 8 per cent increase in profit before tax. This has been built on our two key franchises, Corporate Markets and Business Banking, and they again delivered excellent levels of profitable growth. Whilst we are continuing to invest in these franchises to support our growth ambitions, this was achieved within our discipline of positive jaws with income growth of 8 per cent whilst costs grew by 4 per cent. The division also includes the Asset Finance business, which was affected by the market-wide slowdown in consumer lending and increased impairments in its retail portfolios.

Our Corporate Markets business delivered another excellent performance, with a 13 per cent improvement in profits, supported by a 48 per cent increase in cross-selling income. The improvement in profitability reflects the success of our strategy of integrating our product and relationship businesses to meet our customers' needs. We are continuing to receive external recognition for our achievements and we were especially pleased to be awarded the CBI Corporate Bank of the Year Award for the second year running in 2006. We are maintaining our focus on building relationships and this is helping us to sustain strong asset quality performance in this portfolio.

The performance in Business Banking is again underpinned by a very good performance in sales, as we continue to attract a market leading share of business start-ups. We are delivering on our strategy of building deeper customer relationships, with good levels of growth in customer lending and deposits, as well as continuing to raise the level of fee income. This helped to drive growth in profits of 26 per cent.

## Outlook

Turning to 2007, we are well positioned to drive further growth as we continue to embed our business model. Whilst we are likely to face challenges in terms of the slower rate of growth in the unsecured consumer credit market and the increasing cost of regulation, each of the divisions has now established a strong track record for delivering enhanced customer satisfaction and an improved sales performance, which is resulting in profitable business growth. We will also continue to deliver on our productivity programmes across the business. In addition to improving our efficiency and effectiveness, these also result in better customer satisfaction and enhance our ability to fund increased investment for future growth.

We are a customer focused organisation, and our improved customer satisfaction scores are an important factor in our continued success. In 2007, we will implement a further range of new products and services that meet the needs of our customers, which are underpinned by our 'treating customers fairly' principles and that reinforce our strategy of developing deep, long-lasting customer relationships. Over the past few years, we have developed a strong risk and control infrastructure and this plays an important role in enabling us to drive profitable growth in a controlled and sustainable fashion.

The Group's key market place is the UK, in the retail and corporate banking, and insurance sectors. Retail banking markets have shown strong rates of growth in recent years, notably in unsecured consumer borrowing but the combination of higher interest rates and higher living costs have started to normalise future growth expectations. We forecasted this change last year and have increasingly focused our strategies towards non-lending related product sales and have made good progress in growing current account, bank savings and bancassurance product sales. The markets for mortgage lending, bank savings and life, pensions and investment products are expected to continue to show good rates of growth over the next few years and this will support our growth plans.

Wholesale markets have shown strong growth over the past several years, and cyclically low levels of bad debt. Our opportunities in these markets centre on deepening our customer relationships and cross-selling more fee-based products to our corporate and small business customers. Over the last few years, we have increased cross-selling income substantially, and we believe there is still a great opportunity.

In the competitive financial services market, and with customers able to exercise choice amongst alternative providers, shareholder and customer value creation are closely linked. Shareholder value is created by attracting and retaining customers and winning a greater share of their financial services business. We have a significant opportunity to leverage our customer relationships to build market share in other products. We have significant strengths, in our portfolio of high quality brands, our customer franchises, our multi-channel distribution capability, our high levels of customer satisfaction and our knowledge and understanding of our customers. Our growth will come from leveraging these key strengths.

We believe that successful banks benefit from operating in a vibrant and healthy society. Many thousands of our staff participate in activities that make a significant contribution to the communities in which they live and work. In addition, the four Lloyds TSB Foundations have played a significant role in supporting a broad range of charities, across the United Kingdom, and make a critical difference to many thousands of people.

## Summary

In summary, 2006 was another strong year for the Group. We have delivered a good financial performance whilst continuing to build our customer franchises to support future earnings growth. We will continue to extend the reach and depth of our customer relationships whilst improving productivity and efficiency in 2007 and beyond. In doing so, I believe that we can deliver sustained double-digit economic profit growth over time.

Finally, let me again express my continued thanks to all of the staff who work for the Lloyds TSB Group. They deliver great service for our customers and their wonderful efforts drive our growing success. Many thousands of our staff are also shareholders in the Group, and I am delighted that they continue to participate in the success of the Company.

**J Eric Daniels**
Group Chief Executive
22 February 2007

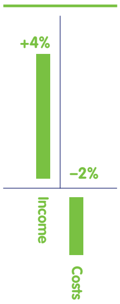
† To enable meaningful comparisons to be made with 2005, the commentaries in this statement exclude volatility, the 2006 pension schemes related credit and, in 2005, profit on sale and closure of businesses, customer redress provisions and the strengthening of reserves for annuitant mortality.

# Divisional highlights

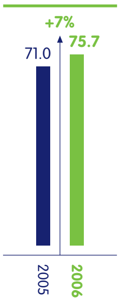
## UK Retail Banking

- Good income growth of 4 per cent supported by second half acceleration to 6 per cent.
- Strong sales growth in each key distribution channel; overall product sales up 16 per cent.
- Excellent progress in growing the current account customer franchise, with a 59 per cent increase in target customer current account recruitment.
- Excellent cost control, with a clear focus on improving processing efficiency and service quality.
- Substantial improvements in levels of customer satisfaction.

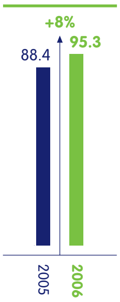
**Income and cost growth 2006***



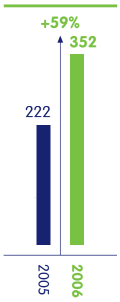

**Customer deposits £bn**




**Group UK mortgage balances £bn**




**Target customer recruitment 000s**

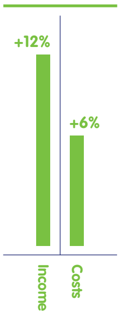



*Excluding 2005 provisions for customer redress.

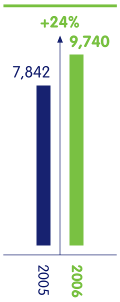
## Insurance and Investments

- Significantly improved profit performance. Profit before tax increased by 15 per cent to £950 million.**
- Good income growth. Income, net of insurance claims, increased by 12 per cent, exceeding cost growth of 6 per cent.**
- Excellent sales performance. 24 per cent increase in Scottish Widows' present value of new business premiums.
- Excellent progress in increasing bancassurance sales, up 62 per cent, with OEIC sales more than doubled.
- Good momentum maintained in sales through Independent Financial Advisers. Sales increased by 14 per cent.
- Improved profitability. Life, pensions and OEICs new business profit increased by 36 per cent. Good improvement in new business margin.
- Excellent capital position of Scottish Widows maintained.
- Good progress with General Insurance's strategy to develop its manufacturing business and build distribution capability.

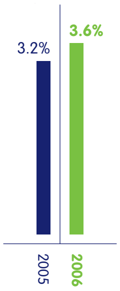
**Income and cost growth 2006****



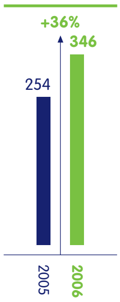

**New business sales £m**




**New business margin**




**New business profit £m**

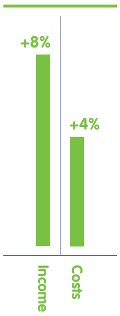



**Excluding volatility and insurance grossing. Also excludes the impact of 2005 capital repatriation and strengthening of reserves for mortality.

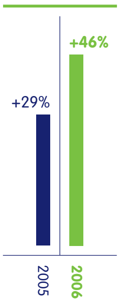
## Wholesale and International Banking

- Profit before tax increased by 8 per cent to £1,640 million.
- Strong income growth, up 8 per cent, supported by a 46 per cent increase in cross-selling income.
- Income growth exceeded cost growth of 4 per cent. Continued investment in people and systems to support new product capabilities.
- Continued strong trading momentum. Substantial increase in trading surplus, up 14 per cent, to £1,948 million.
- Corporate asset quality remains strong.
- Further good progress in delivering the strategy to build an integrated wholesale bank for corporate markets, with a 13 per cent increase in Corporate Markets profit before tax.
- Continued strong growth in Business Banking with a 26 per cent growth in profit before tax. Lloyds TSB has retained its leading position as the bank of choice for start-up businesses.

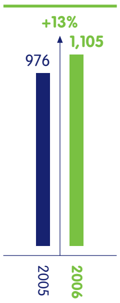
**Income and cost growth 2006**



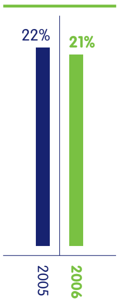

**Growth in cross-selling income**




**Corporate Markets profit before tax £m**




**Market share of Business Banking start-ups**



# 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 2006 total group assets were £344 billion and there were some 63,000 employees. Market capitalisation was £32 billion.

The main businesses and activities of the Group during 2006 were:

### UK Retail Banking

Provides a full range of banking and financial services to some 16 million personal customers through over 2,000 branches across 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.

### 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.

### 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.

# Corporate responsibility

In an increasingly competitive market where customers are able to exercise choice among providers, we believe that shareholder value creation is closely linked to customer value creation. It is only by meeting our customers' needs that we will win the right to a bigger share of their total financial services spend.

We believe that corporate responsibility, built around the creation of employee motivation, customer satisfaction and brand loyalty, has a major part to play in supporting our business strategy. Our commitment to corporate responsibility helps promote trust in the Lloyds TSB brand and reinforces customer loyalty and advocacy. Lloyds TSB is rooted in local communities throughout the UK and we take our responsibilities to those communities very seriously. By investing in the communities where we operate we not only create economic value but also make a positive social contribution.

Our approach to corporate responsibility focuses on five areas; our people, our customers, our suppliers, our community and the environment.

### Our people

Achieving our vision of being the best financial services company in the UK depends on our ability to create a high performance culture. We know that every high performance company needs committed and motivated staff.

To create a high performance company, we recognise that we need to provide all employees with the opportunity to learn, develop and to fulfil their potential. The University for Lloyds TSB is our centre of excellence for learning, providing an accessible, high quality service structured around the needs of both the business and the individual. In 2006, the University provided over 33,250 training days and over 17,000 delegate places in addition to online learning through a Group-wide network of 2,029 multimedia personal computers and 20 dedicated cyber-cafes.

### Our customers

We want to build a great organisation, which is recognised for operating to high standards and is built on strong customer franchises. Treating our customers fairly is essential to helping us achieve that goal and is one of the ways in which we can develop competitive advantage. In simple terms, we aim to be fair, clear and straightforward in all our dealings with our customers. We have simplified the number and range of products we have and we are continuing our drive to make our terms and conditions simpler to understand and ensure our charges are absolutely clear.

### Our suppliers

Each year we buy around £2 billion worth of goods and services. Our suppliers are important to us and we want to ensure that we treat them fairly and pay them on time. Our supplier relationships are governed by a strict Code of Purchasing Ethics that defines the way we do business. We also have an established supplier review process that allows us to assess our suppliers' social, ethical and environmental performance as part of the tendering process.

### Our community

Continuing to grow a successful business is the best way for Lloyds TSB to create value for all its stakeholders and contribute to the wider economy. In addition to our financial contribution we recognise that it is in our long-term interest to help improve the social and commercial fabric of local communities where we operate. That is why we have one of the largest community investment programmes in the UK.

Through their shares in the Lloyds TSB Group, the Lloyds TSB Foundations together receive one per cent of the Group's pre-tax profits, averaged over three years, in lieu of their shareholder dividend. Over the last ten years, the Foundations have received over £300 million to distribute to local community causes.

### The environment

The UK Government has stated its belief that climate change is the greatest long-term challenge facing the world today. Measures to tackle climate change will have potential implications for regulation, taxation and public policy and will carry both risks and opportunities for companies and the public.

In respect of our own direct environmental impacts our immediate priority is to reduce our carbon emissions. We have introduced a 5-year carbon management programme, which, through a series of energy saving projects and other initiatives will not only reduce our carbon footprint but also deliver cost savings. In 2005 we set a target to reduce property related emissions by 30 per cent from 2004 levels by 2010. We are exploring other opportunities in relation to waste reduction and business travel.

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

# Summary consolidated income statement

**for the year ended 31 December 2006**

| | 2006 £ million | 2005 £ million |
|---|---|---|
| Net interest income | 5,537 | 5,671 |
| Other income | 14,136 | 17,055 |
| **Total income** | 19,673 | 22,726 |
| Insurance claims | (8,569) | (12,186) |
| **Total income, net of insurance claims** | 11,104 | 10,540 |
| Operating expenses | (5,301) | (5,471) |
| **Trading surplus** | 5,803 | 5,069 |
| Impairment losses on loans and advances | (1,555) | (1,299) |
| Profit on sale and closure of businesses | – | 50 |
| **Profit before tax** | 4,248 | 3,820 |
| Taxation | (1,341) | (1,265) |
| **Profit for the year** | 2,907 | 2,555 |
| Profit attributable to minority interests | 104 | 62 |
| Profit attributable to equity shareholders | 2,803 | 2,493 |
| **Profit for the year** | 2,907 | 2,555 |
| **Basic earnings per share** | 49.9p | 44.6p |
| **Diluted earnings per share** | 49.5p | 44.2p |
| **Total dividend per share for the year*** | 34.2p | 34.2p |
| **Total dividend for the year*** | £1,927m | £1,915m |

| | £000 | £000 |
|---|---|---|
| **Directors' emoluments** | 11,257 | 8,826 |

* Total dividend for the year represents the interim dividend paid in October 2006 and the final dividend which will be paid and accounted for in May 2007.

The Group's income statement includes substantial amounts of income and expenditure attributable to the policyholders of the Group's long-term assurance funds, which are consolidated in order to meet the requirements of accounting standards. These amounts are volatile and can cause significant variations in total income and insurance claims; however they have no overall effect upon profit attributable to equity shareholders.

# Summary consolidated balance sheet

**at 31 December 2006**

| | 2006 £ million | 2005 £ million |
|---|---|---|
| **Assets** | | |
| Cash and balances at central banks | 1,898 | 1,156 |
| Derivatives, trading and other financial assets at fair value through profit or loss | 73,260 | 66,252 |
| Loans and advances to banks | 40,638 | 31,655 |
| Loans and advances to customers | 188,285 | 174,944 |
| Available-for-sale financial assets | 19,178 | 14,940 |
| Investment property | 4,739 | 4,260 |
| Intangible assets, including goodwill, and the value of in-force business | 5,238 | 5,345 |
| Tangible fixed assets | 4,252 | 4,291 |
| Other assets | 6,110 | 6,911 |
| **Total assets** | 343,598 | 309,754 |
| **Liabilities** | | |
| Deposits from banks | 36,394 | 31,527 |
| Customer accounts | 139,342 | 131,070 |
| Derivative financial instruments, trading and other liabilities at fair value through profit or loss | 6,947 | 6,396 |
| Debt securities in issue | 54,118 | 39,346 |
| Insurance liabilities | 42,128 | 41,068 |
| Liabilities to customers under investment contracts | 24,370 | 21,839 |
| Retirement benefit obligations | 2,462 | 2,910 |
| Subordinated liabilities | 12,072 | 12,402 |
| Other liabilities | 14,258 | 12,566 |
| **Total liabilities** | 332,091 | 299,124 |
| Shareholders' equity | 11,155 | 10,195 |
| Minority interests | 352 | 435 |
| **Total equity** | 11,507 | 10,630 |
| **Total equity and liabilities** | 343,598 | 309,754 |

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 22 February 2007.

**Sir Victor Blank**
Chairman

**J Eric Daniels**
Group Chief Executive

**Helen A Weir**
Group Finance Director

# Five year financial summary

| | IFRS | | | UK GAAP | | |
|---|---|---|---|---|---|---|
| | **2006** | 2005 | 2004 | 2004 | 2003 | 2002 |
| **Statutory results £m** | | | | | | |
| Profit before tax | **4,248** | 3,820 | 3,477 | 3,493 | 4,348 | 2,618 |
| Profit for the year | **2,907** | 2,555 | 2,459 | 2,489 | 3,323 | 1,852 |
| Profit attributable to equity shareholders | **2,803** | 2,493 | 2,392 | 2,421 | 3,254 | 1,790 |
| **Share information** | | | | | | |
| Basic earnings per share | **49.9p** | 44.6p | 42.8p | 43.3p | 58.3p | 32.1p |
| Dividends per share (net) | **34.2p** | 34.2p | 34.2p | 34.2p | 34.2p | 34.2p |
| Market price (year-end) | **571.5p** | 488.5p | 473p | 473p | 448p | 446p |
| Number of shareholders (thousands) | **870** | 920 | 953 | 953 | 974 | 973 |
| Number of ordinary shares in issue (millions) | **5,638** | 5,603 | 5,596 | 5,596 | 5,594 | 5,583 |
| **Performance measures %** | | | | | | |
| Post-tax return on average shareholders' equity | **26.6** | 25.6 | 22.8 | 24.3 | 38.5 | 16.8 |
| Post-tax return on average risk-weighted assets | **1.89** | 1.81 | 1.99 | 2.01 | 2.63 | 1.62 |
| Cost:income ratio* | **47.7** | 51.9 | 54.8 | 51.4 | 52.2 | 55.3 |
| | **31 December 2006** | 31 December 2005 | 1 January 2005 | 31 December 2004 | 31 December 2003 | 31 December 2002 |
| **Balance sheet** | | | | | | |
| Shareholders' equity (£m) | **11,155** | 10,195 | 9,489 | 9,977 | 9,624 | 7,943 |
| Net assets per share (pence) | **195p** | 180p | 167p | 176p | 170p | 140p |
| Total assets (£m) | **343,598** | 309,754 | 292,854 | 279,843 | 252,012 | 252,561 |
| Capital ratios: total capital (%) | **10.7** | 10.9 | 10.1 | 10.0 | 11.3 | 9.6 |
| tier 1 capital (%) | **8.2** | 7.9 | 8.2 | 8.9 | 9.5 | 7.7 |

* The cost:income ratio is calculated as total operating expenses as a percentage of total income (net of insurance claims for the IFRS numbers in 2004 and later years).

## Summary directors' report

An interim dividend of 10.7p per ordinary share was paid on 4 October 2006 and a final dividend of 23.5p per ordinary share will be paid on 2 May 2007.

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. Sir Victor Blank joined the board on 1 March 2006. Mr M A van den Bergh and Mrs A A Knight left the board on 11 May 2006 and 31 October 2006, respectively. Dr Julius will retire at the annual general meeting in 2007.

In accordance with the articles of association, Dr Berndt, Mr Brown, Mr Daniels and Mrs Weir retire at the annual general meeting and offer themselves 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 their remuneration in 2006 appear in the directors' remuneration report in 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 the Group's performance and the interests of shareholders. Cost effective packages are provided which attract and retain executive directors of the highest calibre and motivate them to perform to the highest standards. Whilst the remuneration committee in 2006 did not propose any significant changes to the Group's executive remuneration framework, it recommended that the competitive market positioning of packages should continue to be measured against the FTSE 20, and at the same time take closer account of the remuneration policies of the Group's direct competitors, namely the major UK banks.

The policy is to position basic salaries to reflect the relevant market median with total direct compensation (basic salary, annual incentives and the value of long-term incentives) designed to enable upper quartile performance to be rewarded with upper quartile remuneration levels. This policy is consistent with the Group's belief that performance should drive 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, long-term incentive plan awards (shares are only received 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 2006 annual bonus opportunity for executive directors was equal to 150 per cent (175 per cent for Mr Daniels) of salary, based upon individual contribution and overall corporate results. However, an amount equivalent to 75 per cent (112.5 per cent for Mr Daniels) of basic salary will be available to executive directors on the achievement of stretching targets.

Following detailed independent market analysis and review, it is apparent that certain levels of basic salary as well as the annual maximum bonus opportunity, including the level of award for on-target performance achievement, are behind the market, particularly when compared with the Group's direct competitors. As a result, the salary adjustments implemented from 1 January 2007 have been designed to bring base pay levels closer in line with the competitive market place. In addition, from 2007 the maximum bonus opportunity for executive directors will be increased to 200 per cent (225 per cent for Mr Daniels). However, whilst the underlying structure of the scheme will remain unchanged, with half of the maximum opportunity being triggered for on-target performance achievement, significantly more stretching targets will need to be met to qualify for maximum payment. In addition, and notwithstanding Mr Daniels' increase in bonus opportunity from 2007, the level of bonus award for on-target achievement will remain 112.5 per cent of basic salary payable on the achievement of a range of financial and non-financial measures contained in a balanced scorecard. Non-financial measures include a range of measures relating to customer service, process efficiency, quality, risk and employees (e.g. employee engagement).

An important change in 2006 was the introduction of a new long-term incentive plan ('LTIP') which was implemented following shareholder approval and used for all long-term awards made during the year.

Under the LTIP, awards of shares may be made, with 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 is based on a condition measuring the Group's total shareholder return against a comparator group of 14 financial services companies. The remaining 50 per cent is 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 are 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 with 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 their appointment may be terminated, in accordance with the articles of association, at any time without compensation.

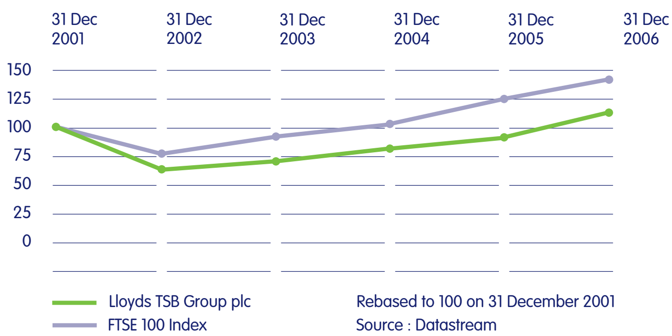
## Summary of emoluments paid to directors

| | 2006 £000 | 2005 £000 |
|---|---|---|
| Aggregate emoluments paid to directors | **11,257** | 8,826 |
| Aggregate gains made by directors on exercise of share options | **125** | 1,077 |
| Aggregate value of assets receivable under long-term incentive schemes | **–** | – |
| Aggregate company contributions in respect of directors to defined contribution pension schemes | **122** | 103 |
| Number of directors with retirement benefits accruing under: | | |
| – defined contribution schemes | **2** | 2 |
| – defined benefit schemes | **4** | 5 |

## 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

* 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

**Sir Victor Blank◆◆†++**
Chairman
Joined the board in March 2006 as deputy chairman and became chairman 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 and of GUS from 1993 to 2006 (chairman from 2000). Chairman of Trinity Mirror from 1999 to 2006. 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 64.

**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, GfK AG and Telekom Austria. Board member of the Institute for the Future. Aged 64.

**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. A non-executive director of Noble Grossart and Stagecoach Group and a member of the court of the University of St Andrews. A former chairman of tie and non-executive director of John Wood Group. Aged 64.

**Jan P du Plessis✠*◆**
Joined the board in 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 53.

**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 65.

**Sir Julian Horn-Smith✠◆†+**
Joined the board in 2005. Held a number of senior and general management appointments in Vodafone from 1984 to 2006 including a directorship of that company from 1996 and deputy chief executive officer from 2005. Previously held positions in Rediffusion from 1972 to 1978, Philips from 1978 to 1982 and Mars GB from 1982 to 1984. Chairman of The Sage Group. Aged 58.

**DeAnne S Julius CBE✠†**
(retiring on 9 May 2007)
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. A former non-executive director of the Bank of England. Aged 57.

**Lord Leitch✠*◆+**
Joined the board in 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 the government's Review of Skills and deputy chairman of the Commonwealth Education Fund. Chairman of BUPA and Intrinsic Financial Services and a non-executive director of Paternoster and United Business Media. Former chairman of the National Employment Panel. Aged 59.

## 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 55.

**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 58.

**Terri A Dial**
Group Executive Director, UK Retail Banking
Joined the board in 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 a member of the London Skills and Employment Board. Aged 57.

**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. A member of the board of the Association of British Insurers. Aged 54.

**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 56.

**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 44.

**Alastair J Michie FCIS FCIBS**
Company Secretary

# 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. These telephone 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.

- internet dealing, log on to www.shareview.co.uk/dealing
- telephone dealing, call 0870 850 0852
- postal dealing, call 0870 242 4244 for an application form

Internet and telephone dealing services are available between 8.00am and 4.30pm, Monday to Friday.

Details of any dealing costs are available when you log on to Shareview or when you call one of the above numbers.
They are also available on www.lloydstsb.com/investorrelations

### 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.

### 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 which enables you to receive shareholder communications electronically. In addition, you can change your address or bank details and vote your shareholding online. Visit www.shareview.co.uk for details.

### 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.

### 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 details 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

## 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. 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 or regulatory actions, 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 document are made as at the date of this document, and the Group undertakes no obligation to update any of its forward looking statements.

## Auditors' reports

The auditors' reports on the full accounts for the year ended 31 December 2006 were 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. Our reports on the Company's full annual financial statements describe the basis of our audit opinions on those financial statements and the directors' remuneration report.

### 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 2006 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
22 February 2007

## Financial calendar 2007

### 23 February

Results for 2006 announced

### 7 March

Ex-dividend date for 2006 final dividend

### 9 March

Record date for final dividend

### 4 April

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

### 2 May

Final dividend paid

### 9 May

Annual general meeting in Glasgow

### 31 July

Results for half-year to 30 June 2007 announced

### 8 August

Ex-dividend date for 2007 interim dividend

### 10 August

Record date for interim dividend

### 5 September

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

### 3 October

Interim dividend paid

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Lloyds TSB

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