

# Annual Review 2007

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, our people**

# Our strategy

### **Build customer franchises**

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

### **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 Commercial Banking
- maintain strong asset quality

# Group key performance indicators

## 2007 highlights

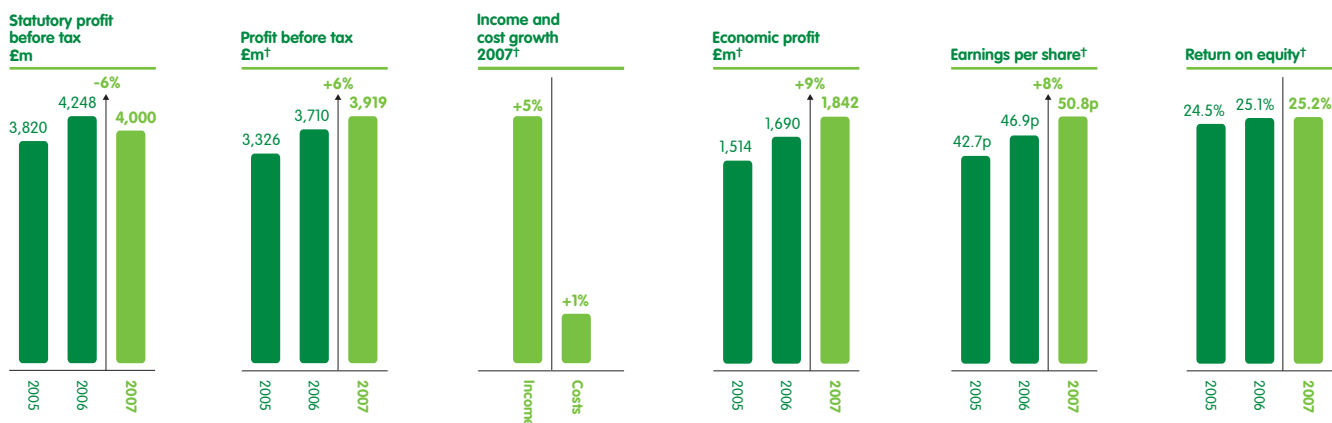
- **Strong financial performance** with statutory earnings per share increased by 17 per cent to 58.3p. Economic profit increased by 21 per cent. Statutory profit before tax was 6 per cent lower at £4,000 million, largely reflecting adverse policyholder interests volatility.
- **Strong underlying profit momentum.** Profit before tax up 6 per cent to £3,919 million notwithstanding impact of global financial markets turbulence. Excluding the impact of £280 million market dislocation, profit before tax increased by 13 per cent to £4,199 million.
- **High returns maintained,** with return on equity of 25.2 per cent. Improved return on risk-weighted assets, and return on Embedded Value increased to 9.9 per cent.
- **Good income growth.** Income growth of 5 per cent, reflecting the strength and resilience of the Group's revenue base. Excluding the impact of market dislocation and insurance grossing, income increased by 6 per cent.
- **Excellent cost management.** Cost growth of only 1 per cent, delivering wide positive jaws. Cost:income ratio improved by 1.8 percentage points to 49.0 per cent. Groupwide productivity programme exceeded 2007 expectations, and remains on track to deliver benefits of £250 million in 2008.
- **Satisfactory credit quality.** Retail impairment charge lower than in 2006. Based on current trends, we do not expect a significant change in the retail impairment charge in the first half of 2008, compared to the first half of 2007. Corporate asset quality remains good.
- **Strong liquidity and funding position maintained** throughout the recent global financial markets turbulence.
- **Excellent capital management.** Robust capital ratios maintained. Satisfactory transition to Basel II, with tier 1 capital ratio increasing to 9.5 per cent. Over £3.6 billion of capital repatriated from Scottish Widows over the last 3 years.

## Group results

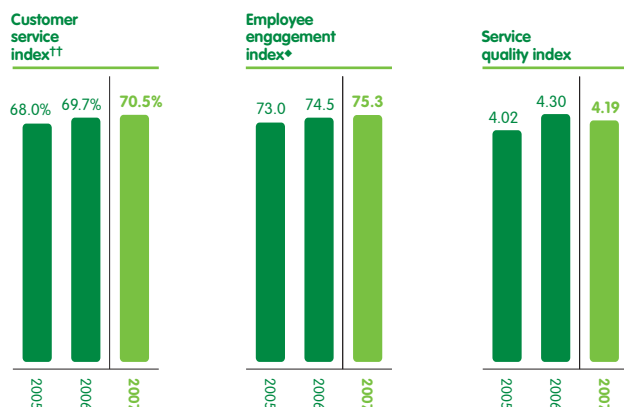
	2007 £m	2006 £m
Net interest income	6,092	5,360
Other income	12,636	13,903
Total income	18,728	19,263
Insurance claims	(7,522)	(8,569)
Total income, net of insurance claims	11,206	10,694
Operating expenses	(5,491)	(5,429)
Trading surplus	5,715	5,265
Impairment	(1,796)	(1,555)
<b>Profit before tax*</b>	<b>3,919</b>	3,710
Volatility		
– Insurance	(267)	84
– Policyholder interests	(233)	326
Profit on sale of businesses	657	–
Settlement of overdraft claims	(76)	–
Pension schemes related credit	–	128
<b>Profit before tax</b>	<b>4,000</b>	4,248

\* Excluding volatility, profit on sale of businesses, the settlement of overdraft claims in 2007 and the pension schemes related credit in 2006.

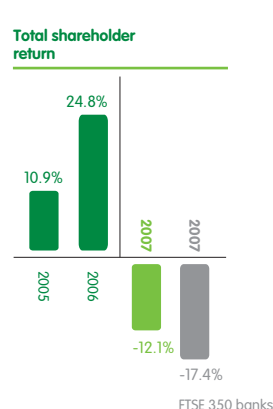
## Group – financial



## Group – non financial



## Total shareholder return



† Excluding volatility, profit on sale of businesses, the settlement of overdraft claims in 2007, the pension schemes related credit in 2006, and customer redress provisions and the strengthening of reserves for mortality in 2005.

†† See Corporate responsibility section (page 16).

♦ See Our people section (page 15).

# The most trusted bank in Britain for seven years running



## Chairman's statement

Lloyds TSB has a very clear vision to be the best financial services organisation in the UK. In achieving this we aim to be a great place for our customers to do business; a great place for our people to work; and to generate good returns for our shareholders. Underlying these aims we also want to be valued by the communities where we operate through high ethical standards, respect for our stakeholders, community involvement and a commitment to corporate responsibility. I am very pleased to be able to report significant progress on our journey towards achieving this vision during 2007.

### Achieving the vision

We have maintained strong business momentum through the year to deliver another good set of results with underlying profit before tax up 6 per cent in 2007 to £3,919 million. Against a turbulent backdrop, these results are achieved from a business that focuses tirelessly on the needs of customers and which, as a result, has a lower risk and a more predictable earnings stream. Our quality of earnings emerges from the strength of our three high quality businesses; our UK Retail Bank; our Wholesale and International Banking division; and our Insurance and Investments division which includes Scottish Widows.

Our confidence in our business model and its ability to increase earnings throughout the economic cycle led to our decision to increase the dividend by 5 per cent year on year. This is the first year in five that we have increased our dividend and supports our long term shareholder proposition; going forward, we expect to continue to grow our dividend whilst continuing to build dividend cover.

**"We have maintained strong business momentum through the year."**

### Customer focus

Our customers are critical to our success. Retaining and broadening these relationships and adding new customers are a key part of our strategy. This will not be achieved unless we are providing a high quality service and products that our customers want to buy and which provide good value for money. Success has been measured through high levels of customer satisfaction and customer advocacy and a strong sales performance. It is also measured through external recognition and I am pleased to report that our businesses have won a number of awards throughout 2007.

In the UK Retail Bank we were the market leader in new current account recruitment at the same time as being voted the most trusted bank in Britain for the seventh year running. In Wholesale and International Banking we were voted by finance directors as Corporate Bank of the Year at the Real Finance/CBI FDs' Excellence Awards for the third year in succession. And in Insurance and Investments, Scottish Widows was voted Best Individual Pensions Provider by IFAs at the Financial Adviser awards. All of these recognise our commitment to our customers and are the result of hard work and dedication from our employees who can justifiably be proud of what we have achieved.

### Corporate responsibility

Lloyds TSB has a strong commitment to improving the quality of life of people in the communities where we work and I am proud of our achievements in this area.

Our major focus for support is through the four Lloyds TSB Foundations in England and Wales, Northern Ireland, Scotland and the Channel Islands. Our commitment is to provide 1 per cent of the Group's pre-tax profits to the Foundations and in 2007 we gave £37 million to support their work. A further £37 million will be donated in 2008 bringing our total contributions since the Lloyds TSB merger to over £360 million, making Lloyds TSB one of the largest charitable donors in the UK. I would strongly encourage you to visit the website for the Lloyds TSB Foundations at [www.lloydstsbfoundations.org.uk](http://www.lloydstsbfoundations.org.uk) to look at some of the programmes we support and to see the difference we can make in helping disadvantaged people to live a fuller life in communities across the UK.

Our employees also support a wide range of community programmes, volunteering their time and energy to local causes and initiatives. I am particularly proud of the work we have done to support the Group's 2007 charity partner, Barnardo's, where to date almost £1 million has been raised, with fund raising initiatives continuing into 2008.

Our journey in response to the global issue of climate change reached a new milestone this year with the introduction of a new stretching target to reduce our CO<sub>2</sub> emissions by 30 per cent by 2012, based on 2002 levels. We are focusing particularly on energy consumption and efficiency and we recognise that a real behavioural change is required by all of our people to achieve this target. To support this change we have introduced a sustainability network, drawing on champions from across the Group, to raise awareness and support the initiatives that are required. It is my firm view that companies that develop the skills, resources and relationships to manage these challenges will thrive and prosper in the years ahead.

We cannot eliminate all CO<sub>2</sub> emissions so in 2007 we committed to become carbon neutral by offsetting those emissions that we cannot reduce. I am pleased to confirm that in 2007 we purchased sufficient carbon credits to achieve carbon neutrality.

In March 2007 we were the first organisation to become a domestic partner of the 2012 Olympic and Paralympic Games. This places Lloyds TSB at the heart of the most exciting world event to take place in the UK for many decades. Our vision for our partnership with London 2012 is 'to inspire and support young people, communities and businesses all over Britain on their journey to the Olympic and Paralympic Games and beyond'.

The Games are much more than 16 days of competition. It is about the journey that young people take toward excellence and becoming the best and the legacy that we leave for them when the Games are over. These ideals very much resonate with our own vision and values and why we are proud to be involved.

# Looking after our customers' money every day



### Corporate governance

While the board of any company must ensure that a robust governance structure is in place, we are equally committed to fostering a culture throughout the organisation that values exemplary ethical standards, personal and corporate identity, teamwork, taking personal responsibility and respect for others. Our approach to governance is predicated on the belief that there is a link between high quality governance and the creation of shareholder value.

Our Group Chief Executive, Eric Daniels, has given real leadership to the Group. He and his executive have driven financial and operational success within a strong culture of teamwork and integrity. It is this work that has created the results that we have seen through 2007 and will ensure our continued success in future years.

The board's ongoing renewal process has continued throughout the year and we are delighted to have appointed two new independent non-executive directors since the last annual general meeting. Philip Green was welcomed to the board on 10 May 2007. He brings valuable experience to the Group through a very successful business career across a number of different business sectors including his current role as Chief Executive of United Utilities and as the former Chief Executive of Royal P&O Nedlloyd. Sir David Manning will join us on 1 May 2008. Sir David has a long and distinguished career in the Foreign and Commonwealth Office where he was most recently Her Majesty's Ambassador to the United States of America.

Gavin Gemmell left the board at the end of September, when he retired as chairman of Scottish Widows. I would like to thank Gavin for his significant contribution to the Group's affairs and wish him well for the future.

Mike Fairey, Deputy Group Chief Executive, will retire in June, following a wonderful career with the Group spanning 17 years. Mike joined the TSB group in 1991, became a director of Lloyds TSB in 1997 and became Deputy Group Chief Executive in 1998. He has given both loyal service and wise counsel during these years and I will personally miss his contribution. I would like to thank Mike for all of his input over the years and wish him well for the future.

### Outlook

As we look forward to 2008, we face the prospect of slowing global economic activity and all the associated challenges that this brings. Despite this our strategy remains unchanged. The progress made over the last four years means that we have a strong capital position from which we can continue to grow the business. We believe that our excellent customer proposition, based on high levels of service quality and committed customer relationships, leaves us well positioned to continue to grow our returns to shareholders through 2008 and in future years.

**"We have a strong capital position from which we can continue to grow the business."**

I would like to thank all of our employees for their contribution to making 2007 such a successful year. It is the commitment, support and dedication of every one of our employees that makes so much difference. I look forward to continuing our journey together in the years ahead.



**Sir Victor Blank**  
Chairman  
21 February 2008



*official banking and insurance partner*

# More Britons count on us for their current accounts





2007 was another good year for Lloyds TSB. We delivered strong results, despite the more challenging operating environment that we saw in the second half of the year. Our business performance, excluding the impact of the market dislocation, continued its strong momentum as our relationship-based strategy serves us well. We believe this momentum will carry through to 2008, given we have a high quality, sustainable earnings stream, driven by the deep relationships we have with our customers, coupled with the significant growth potential we have both within our own franchise and in the UK market as a whole. As a result, we remain confident as to the Group's future outlook.

Given this strong performance and confidence in our future earnings capacity, the board has decided to increase the final dividend by 5 per cent to 24.7 pence per share. This brings the full year dividend to 35.9 pence per share, an increase of 5 per cent over that paid for 2006. Going forward, the board expects to grow the dividend over time, whilst continuing to build dividend cover.

### Strong momentum

On an underlying basis, the Group increased profit before tax by 6 per cent to £3,919 million. Excluding the £280 million charge arising from the market dislocation, the Group grew profits by 13 per cent from £3,710 million to £4,199 million. Whilst we cannot overlook the impact of the dislocation on our results, these numbers are more reflective of the ongoing performance of the Group.

Our lower risk strategy limited the impact of the abrupt change in the markets and, consequently, our charge was relatively modest in comparison to our balance sheet size, our earnings, and the charges taken by many other organisations. This is in large part due to the conscious choice to focus the Group's strategy on building deep, long-lasting relationships with our customers in order to deliver high quality, sustainable results over time.

**"We have a high quality, sustainable earnings stream, driven by the deep relationships we have with our customers."**

Over the last few years, the successful execution of our strategy has delivered increasing levels of customer recruitment and enhanced sales volumes, and in 2007 we saw further progress on these leading indicators of future profit.

In the Retail Bank, we attracted over one million new current accounts and we delivered strong flows of new business, with sales volumes rising 17 per cent. We are now the number one provider of current accounts, cards and personal loans. In Insurance and Investments, we have seen good progress in the sale of bancassurance products to our franchise customers and sales volumes rose by 20 per cent, with particular success in the sale of protection products through the branch network.

**"We are now number one in terms of the provision of current accounts, cards and personal loans."**

In Wholesale and International Banking, we saw similar strong progress. Our Corporate Markets business is attracting growing numbers of new customers and recorded a further 46 per cent improvement in cross-sales. Our Commercial Banking business attracted good levels of the more valuable switcher accounts and we remain the leader in terms of the share of the start-up market, at 21 per cent.

Key to supporting our relationship-focused strategy is the efficient management of costs and capital, allowing us to continue to invest in the franchise and drive future growth. Once again we have delivered a strong performance in these areas.

Costs rose by only 1 per cent, as we continue to embed our efficiency programmes, and our cost:income ratio improved to 49.0 per cent, from 50.8 per cent in 2006. The extension of our lean manufacturing and sigma efficiency programmes, the improvement of our procurement processes and the adoption of end-to-end processing led to improvements in efficiency as well as better levels of service quality.

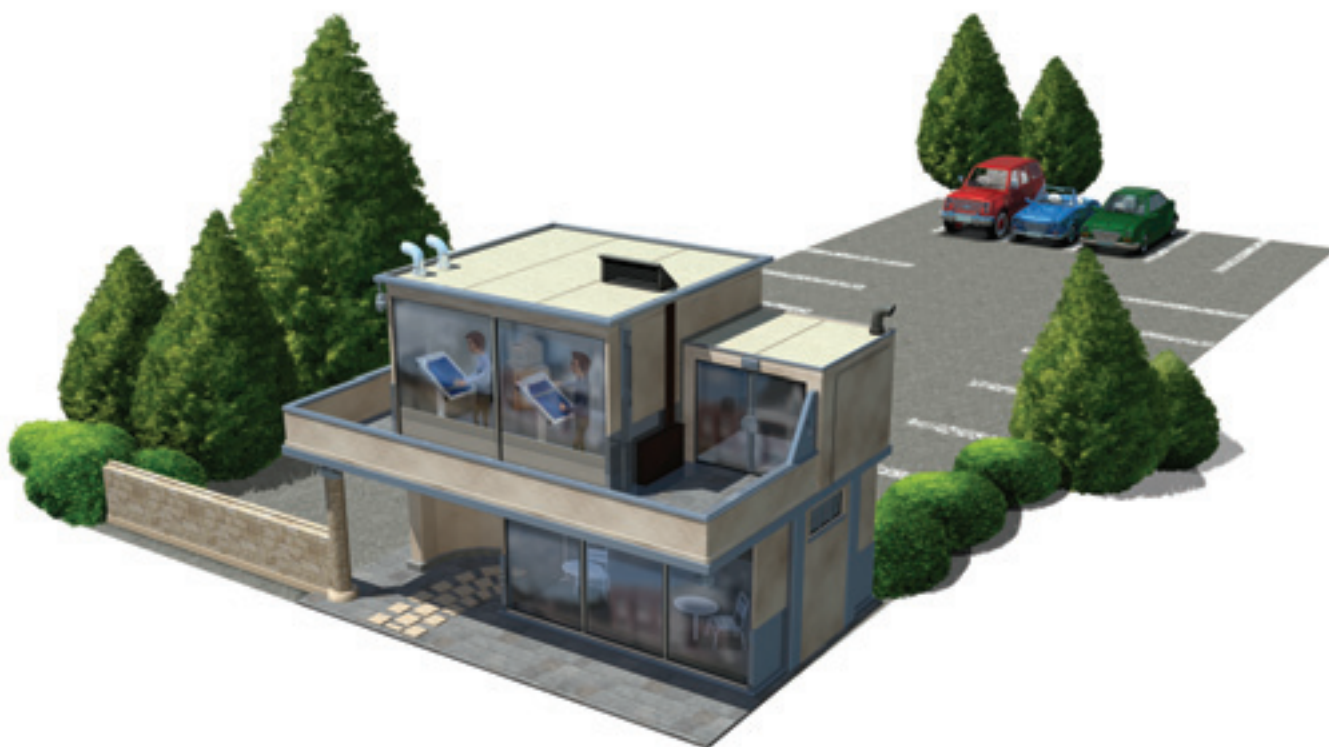
Our capital position is strong. We manage our capital to support efficient growth, directing capital to our higher growth and higher return business lines. We continued the capital efficiency programmes in Scottish Widows, with a further £1.9 billion repatriated to the Group during the year.

### High quality sustainable business

Key to sustaining our strong momentum in future years are the relationships we are building with our customers, understanding their needs and developing the products and services to meet those needs.

As our results in recent periods show, this strategy has served us well and has a number of benefits. A high percentage of our income is recurring customer revenue, which is by nature more stable and sustainable. By building deep relationships, meeting more of our customers' needs, we also benefit in that we have a lower cost of acquiring new sales. Additionally, because we understand our customers well, we tend to have lower impairments and thus require less capital. Perhaps as important as the decision to pursue the relationship strategy, was the decision not to pursue a product-led strategy which, as we have seen of late, results in more volatile revenues and carries a significantly higher risk profile.

# Giving businesses what they need to grow



### Significant growth potential

The UK market represents the second largest economic profit pool for financial services, with high levels of household financial wealth. It enjoys the lowest level of unemployment in the G7 economies and despite a likely slow down in 2008, we are projecting good medium-term economic performance and strong long-term savings growth.

We estimate that we currently only have a 10 per cent share of the economic profit pool, and so we have significant potential within our existing franchise to grow by meeting more of our customers' needs as well as through adding new customers to our franchise.

**"We have significant potential within our existing franchise to grow."**

To support this growth potential we are investing in developing the supporting infrastructure in areas such as customer data management and account planning tools. We continue to enhance our risk and financial systems and, together, these areas will ensure we have the necessary platform to safely support our future growth.

### Outlook

As we look forward to 2008, we do so against a backdrop of turbulent markets and slowing global economic growth. Despite these challenges, we are well positioned to deliver further growth and to take advantage of the opportunities that the current environment offers.

**"We are well positioned to deliver further growth and to take advantage of the opportunities that the current environment offers."**

Our relationship-focused strategy is delivering good results for all our stakeholders. The events of the last year show that it is effective in generating sustainable, high quality results through the cycle. Our prudent approach to risk ensured we experienced minimal impact from the US sub-prime fall-out. We have a strong capital position and this will support the future growth of the business.

This has been a year of significant progress across the Group and let me express my thanks to all our staff for their wonderful contribution to our success. Relationship businesses thrive on great staff that understand customers and work towards meeting their needs. In this last year, the performance of our staff has been terrific.



**J Eric Daniels**  
Group Chief Executive  
21 February 2008

# The Group at a glance

## Our group

Lloyds TSB is a leading UK based financial services group providing a wide range of banking and financial services, primarily in the UK, to personal and corporate customers. Our main business activities are retail, commercial and corporate banking, general insurance, and life, pensions and investment provision. The Group has a large and diversified customer base and services are offered through a number of well recognised brands (Lloyds TSB, Cheltenham & Gloucester, Scottish Widows), and via a unique distribution capability comprising one of the largest branch networks in the UK and intermediary channels.

Lloyds TSB Group is quoted on the London Stock Exchange and is one of the largest companies within the FTSE 100, with a market capitalisation of £26.7 billion on 31 December 2007. At the end of 2007 total group assets were £353 billion and the Group has nearly 70,000 employees. Total income for the 12 months to 31 December 2007 was £18 billion with profit before tax totalling £4 billion.

Our activities are organised into three businesses: UK Retail Banking, Insurance and Investments and Wholesale and International Banking. Their respective contributions are outlined below.

## Our strategy

Our strategy remains to grow the business through developing long-term customer relationships and building our customer franchise. All our businesses are focused on extending the reach and depth of our customer relationships, enhancing product capabilities to build competitive advantage and improving processing efficiency whilst working capital harder. This will enable us to achieve our vision of being the best financial services organisation in the United Kingdom.

The focus on developing our relationships with personal, commercial and corporate customers, whilst developing innovative products that meet the needs of existing customers and attract new customers, is a key driver for income and business growth. Ensuring we become more efficient in everything we do will help ensure our costs are managed effectively whilst also enabling us to invest in the business to drive further growth. Resource allocation is also increasingly important and significant focus is given to allocating capital to where it will have the most positive impact on our businesses.

We believe there remains significant opportunity for organic growth and as we successfully grow the business and develop our skills and capabilities, we will look to expand from a solid foundation of strength. This is likely to be through leveraging our financial strength and enhanced capabilities in new product, customer and geographic markets.

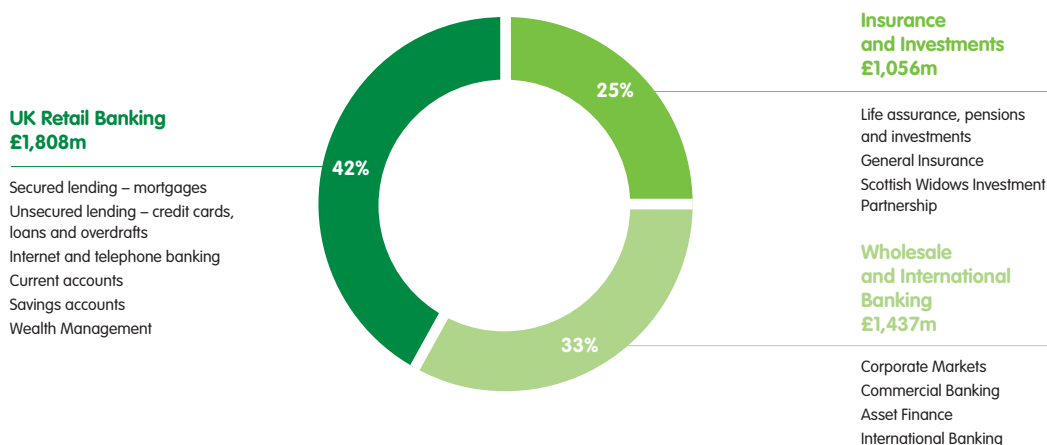
## Profit analysis by division

	2007 £m	2006 £m
<b>UK Retail Banking</b>	<b>1,808</b>	1,549
<b>Insurance and Investments</b>	<b>1,056</b>	973
<b>Wholesale and International Banking</b>		
– Before impact of market dislocation	1,717	1,640
– Impact of market dislocation	(280)	–
	<b>1,437</b>	1,640
<b>Central group items</b>	<b>(382)</b>	(452)
<b>Profit before tax*</b>	<b>3,919</b>	3,710
Volatility		
– Insurance	(267)	84
– Policyholder interests	(233)	326
Profit on sale of businesses	657	–
Settlement of overdraft claims	(76)	–
Pension schemes related credit	–	128
<b>Profit before tax</b>	<b>4,000</b>	4,248
<b>Earnings per share</b>	<b>58.3p</b>	49.9p

\* Excluding volatility, profit on sale of businesses, the settlement of overdraft claims in 2007 and the pension schemes related credit in 2006.

This annual review, including the summary financial statement contained within, 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 report and accounts is also available on our website, [www.lloydstsb.com](http://www.lloydstsb.com).

## Our divisions – contribution to profit\*\*



\*\*Excluding volatility, profit on sale of businesses and the settlement of overdraft claims. Also excludes Central group items.

# Divisional results

## UK Retail Banking

### Our business

UK Retail Banking provides a wide range of banking and financial services through our diversified, proprietary distribution network and highly recognised and well-regarded brands (Lloyds TSB, Cheltenham & Gloucester and Scottish Widows) to some 16 million personal customers through over 2,000 branches across the UK. We are the UK's largest personal current account bank with over 12 million current account customers, have the largest number of internet banking customers in the UK and operate 11 call centres, all in the UK, taking 70 million calls per year. Lloyds TSB has been voted the most trusted bank in Britain for seven years running.

### Our strategy

UK Retail Banking's strategic priorities are to grow revenue from its existing customer base; expand its customer franchise; and continuously improve productivity and efficiency.

We believe Lloyds TSB can excel through focusing on the needs of our customers. UK Retail Banking's strategy is customer centric with our vision being to help our customers succeed financially so that they reward us with more of their business, stay with us longer and recommend us to others. To deliver this we aim to maximise our advantaged distribution position, our superior risk management skills and our customer understanding and analytical capability whilst developing superior customer focused products, creating a culture of needs based sales and building lifelong relationships with our customers. Our people remain a competitive advantage.

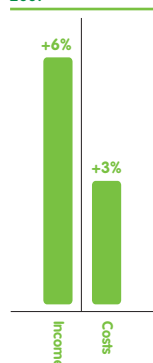
### UK Retail Banking results

	2007 £m	2006 £m
Net interest income	3,783	3,642
Other income	1,797	1,621
<b>Total income</b>	<b>5,580</b>	5,263
Operating expenses*	(2,548)	(2,476)
Trading surplus	3,032	2,787
Impairment	(1,224)	(1,238)
<b>Profit before tax*</b>	<b>1,808</b>	1,549
Cost:income ratio*	45.7%	47.0%
Post-tax return on average risk-weighted assets*	2.13%	1.76%

\* Excluding the settlement of overdraft claims.

	31 December 2007 £bn	31 December 2006 £bn
Total assets	115.0	108.4
Risk-weighted assets	61.7	59.1
Customer deposits	82.1	75.7

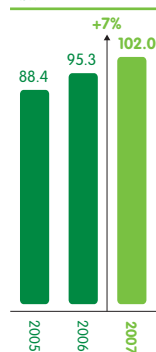
Income and cost growth 2007†



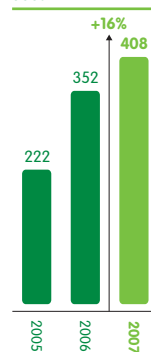
Customer deposits £bn



Group UK mortgage balances £bn



Target customer recruitment 000s



† Excluding the settlement of overdraft claims.

## Divisional results

### Insurance and Investments

#### Our business

Insurance and Investments offers life assurance, pensions and investment products, general insurance and fund management services.

The Scottish Widows brand is the main brand for new sales of Lloyds TSB Group's life, pensions, Open Ended Investment Companies and other long-term savings products.

Lloyds TSB General Insurance is the leading distributor of home insurance in Britain, with products distributed through Lloyds TSB Group channels and strategic corporate partners.

Scottish Widows Investment Partnership (SWIP) manages funds for Lloyds TSB Group's retail life, pensions and investment products. Other key clients cover both the retail and institutional segments, with SWIP occupying a top three position in terms of retail funds under management. SWIP has close to £100 billion of funds under management.

#### Our strategy

Insurance and Investments strategic priorities are maximising bancassurance success, profitably growing IFA sales, improving service and operational efficiency and optimising capital management.

Within Scottish Widows this will be achieved by developing strong and enduring relationships, developing market-led propositions and being easy to do business with. Scottish Widows products are distributed through Lloyds TSB Group channels, independent financial advisers (IFAs) and other intermediaries. Scottish Widows was voted Best Individual Pensions Provider by IFAs and is the most trusted choice for pensions amongst UK consumers.

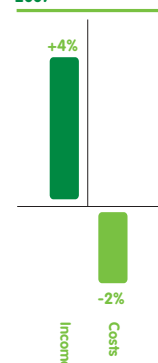
Lloyds TSB General Insurance is targeting growing share in chosen customer segments, developing key insurance partnerships, improving margins by better customer management and improving service and efficiency.

#### Insurance and Investments results

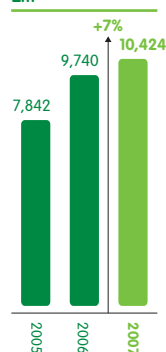
Excluding volatility and profit on disposal of businesses	2007 £m	2006 £m
Net interest income*	68	56
Other income*	1,900	1,740
Total income	1,968	1,796
Insurance claims*	(302)	(200)
Total income, net of insurance claims	1,666	1,596
Operating expenses*	(636)	(646)
Insurance grossing adjustment	26	23
<b>Profit before tax</b>	<b>1,056</b>	973
<b>Profit before tax analysis</b>		
Life, pensions and OEICs	884	701
General insurance	128	243
Scottish Widows Investment Partnership	44	29
<b>Profit before tax</b>	<b>1,056</b>	973
Present value of new business premiums (PVNBP)	10,424	9,740
PVNBP new business margin (EEV basis)	3.1%	3.6%
Post-tax return on embedded value	9.9%	9.3%

\* Excluding insurance grossing adjustment.

Income and cost growth\* 2007



New business sales (PVNBP) £m



New business margin (PVNBP)†



Return on embedded value†



\* Excluding volatility and insurance grossing.

† EEV basis.

## Wholesale and International Banking

### Our business

Our businesses within the Wholesale and International Banking arena cover a broad scope, serving thousands of customers, ranging from start-ups and small enterprises to large organisations and global corporations. Combining the respective strengths of some 3,000 people in Corporate Banking and Products & Markets, Corporate Markets plays an integral role in leveraging and expanding the customer franchise and building deep, long-lasting relationships with around 17,000 corporate customers and was awarded with 'Real Finance/CBI FDs' Excellence Awards – Corporate Bank of the Year' for the third year running. Commercial Banking is a growing business with some 5,500 people serving nearly one million customers across the UK from one-person start-ups to large, established enterprises. Lloyds TSB Group has a leading share of the new business start-up market, with some 120,000 new businesses opening an account in 2007. We also participate in specialist markets with a range of solutions including personal and international expatriate and private banking, motor and leisure finance and auto leasing.

### Our strategy

The Wholesale and International Banking strategic vision is to be the best UK mid-market focused wholesale bank and to compete successfully in selected, relevant global markets. Our key strategic priorities are to grow the Corporate Markets business; build on the growth momentum in Commercial Banking; and maintain strong asset quality.

Making Wholesale and International Banking a great place for our customers to bank is our number one priority. As a relationship bank, we place our customers at the forefront of our vision and we strive, with passion, to meet their needs. The way by which we manage our customer relationships is the vital ingredient in what differentiates us from our competition.

We use our strong product capabilities to support our new and existing customer relationships, with primary current focus being placed on the UK corporate segment in which energies and resource are directed to achieve gains in profitable market share thereby creating long-term, sustainable relationships with our customers.

### Wholesale and International Banking results

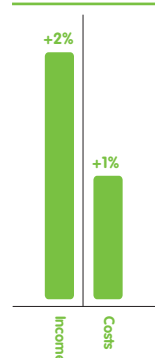
	2007 £m	2006 £m
Net interest income	2,518	2,177
Other income	1,773	2,035
Total income	4,291	4,212
Operating expenses	(2,282)	(2,264)
Trading surplus	2,009	1,948
Impairment	(572)	(308)
<b>Profit before tax*</b>	<b>1,437</b>	1,640
Cost:income ratio	53.2%	53.8%
Post-tax return on average risk-weighted assets*	1.13%	1.38%

	31 December 2007 £bn	31 December 2006 £bn
Total assets	163.3	147.8
Risk-weighted assets	105.1	91.8
Customer deposits	72.3	61.2

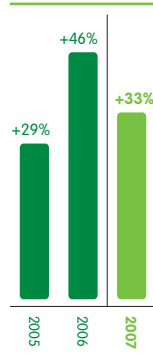
	2007 £m	2006 £m
<b>Profit before tax by business unit*</b>		
Corporate Markets		
– Before impact of market dislocation	1,132	1,030
– Impact of market dislocation	(280)	–
	852	1,030
Commercial Banking	451	398
Asset Finance	60	113
International Banking and other businesses	74	99
	1,437	1,640

\* Excluding profit on sale of businesses.

Income and cost growth 2007



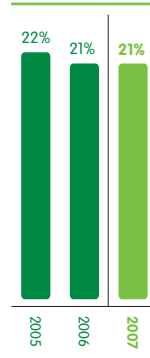
Growth in cross-selling income



Corporate Markets profit before tax £m†



Market share of Commercial Banking start-ups



† Before impact of market dislocation.

# Our people

At Lloyds TSB, people are our most valuable resource. Managing our people effectively is fundamental to the success of the business and achieving our vision of being the best financial services organisation in the UK. Creating a great place to work is a core priority of the people strategy which seeks to enable Lloyds TSB to be recognised, both within the financial services sector, but also more generally in the UK employment market, as the best company to work for.

In creating a great place to work in this way, we believe we will attract the highest performing people to join us and secure the motivation and commitment of those who are the strongest performers and have the highest potential to stay.

To achieve these goals we aim to create a high commitment, high performance organisation. We are clear about what we expect from our people. Our values guide us in all our dealings with colleagues, customers and the wider community. We have nearly 70,000 people working for the Company and whilst business units across the Group have developed values specific to their business needs they are based on the core Group values of: putting customers first, acting with integrity and respect, taking personal responsibility and working as a team.

## Talent, recruitment and retention

One of the highest people priorities for our leaders is the recruitment, retention and development of talented people. Top performers are attracted to join Lloyds TSB because of our reputation, strong brand and values; together with top class reward and development. Last year, we successfully recruited over 9,500 people from the external market.

It's not just about bringing in new people. Developing existing employees and succession planning are equally important to support our growth strategy. We have strong succession and development plans for all our senior executives across the Group and we are retaining people for an average tenure across our business of 13 years.

## Performance management

The Group uses a balanced scorecard to measure and manage employee performance. The scorecard takes into account the needs of customers, employees and shareholders and measures individual performance against a range of factors including: financial success, contribution to the long-term growth of the business, customer service, risk management and personal development. All employees receive formal reviews and feedback on performance at least twice a year.

Meeting our customers' needs is key to our business strategy. Our balanced scorecard aims to show employees how their actions impact their colleagues and customers and how this, in turn, translates into our overall performance.

## Reward and recognition

We believe an individual's reward should reflect their whole contribution to the Company's achievements and take account of performance against individual objectives; contribution in terms of knowledge, competencies and skills and the level of stretch and challenge presented by objectives. In addition it will reflect their potential to develop into more senior roles.

As well as our competitive salary packages we differentiate our reward through bonus schemes and various reward and incentive programmes, focused on both team and individual performance. This helps drive a high commitment, high performance culture where individuals strive for stretching goals.

We also offer an award winning flexible benefits package in which some 67 per cent of our employees currently participate. In addition eligible employees are entitled to participate in our various employee share plans.

## Learning and development

We remain committed to investing in our people through providing efficient and effective learning and development that helps our people to deliver great service and achieve great results. Our focus remains on providing our people with the knowledge and skills they need for their jobs today while continuing to develop the capabilities we will need to be successful in the future.

We continue to provide our people with a range of learning opportunities. The University for Lloyds TSB, one of the largest corporate universities in Europe, delivers learning programmes through a range of media. This includes on-line knowledge modules and face to face workshops to support skills development. Overall investment in people development has risen by 10 per cent in 2007, and we now deliver an average of 2.3 days formal learning per full time employee, an increase of 24 per cent on 2006.

## Employee engagement

We ensure our people are actively engaged through communication and participation in regular employee engagement surveys.

Every quarter a comprehensive confidential employee survey is undertaken online to gauge employees' viewpoints on key engagement issues. Our group chief executive personally agrees the content of our employee engagement survey, demonstrating our commitment and investment in understanding our employees' view. Over the last three years the overall employee engagement index has increased to 75.3 per cent and response rates have been consistently above 70 per cent.

## Work environment

Lloyds TSB Group is committed to making sure the work place is maintained to the highest standards of health, safety and fire protection. Our objective is to provide great facilities and a safe environment for employees and customers, in all our business locations.

Flexible working is increasingly important in the competitive workplace and we have created a balanced environment where we offer a multitude of flexible working practices including: reduced hours, variable hours, job sharing, compressed hours, term-time working and tele-working.

## Equality and diversity

Equality and diversity is not just about complying with equality legislation. We believe that it is vital for achieving competitive advantage and in a tight employment market, we need to attract and retain talented people from all the UK's diverse communities.

Over the last few years we have been working to increase the number of women and ethnic minority employees in management and senior management positions across the organisation. At the end of 2007, there were four women on our group executive committee, one of the highest numbers for a FTSE 100 company, and 22 per cent of our senior managers were women. We also continue to make significant progress with our disability and sexual orientation programmes.

Diversity			
	2007	2006	2005
Women managers	40.1%	38.5%	38.4%
Women senior managers	21.7%	20.9%	20.3%
Ethnic minority managers*	4.9%	4.3%	4.1%
Ethnic minority senior managers*	2.5%	1.9%	1.8%
Disabled employees*	2%	1.5%	1.5%
Lesbian, gay and bisexual (LGB) employees*	0.8%	0.2%	0.2%

\*Shows percentage of whole workforce although not all employees have supplied information on race, disability or sexual orientation.



# 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. This supports our customer-orientated strategy where we look to develop our business based on deep relationships, as opposed to a product-led approach favoured by others.

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 (see page 15), our customers, our suppliers, our community and the environment.

## Our customers

We want to build a great organisation, which is recognised for operating to high standards and is built on strong customer franchises. Our ultimate goal is to become Britain's most recommended bank. We have put in place the essential building blocks: providing excellent customer service from well-trained staff; appropriate products that meet real needs; treating customers fairly at all times; and, following ethical business practices to build a sustainable, profitable business.

In a poll of finance directors across the UK, Lloyds TSB Corporate was voted 'Bank of the Year' for the third year running at the Real Finance/CBI FDs' Excellence Awards, in recognition of our quality of service and understanding of our customers' businesses. Lloyds TSB was also voted the Reader's Digest most trusted bank or building society for the seventh successive year in 2007.

Customer service index			
	2007	2006	2005
	<b>70.5%</b>	69.7%	68.0%

## 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.

Payment of suppliers				
	2007	2006	2005	2004
Number of supplier payments	<b>320,579</b>	344,422	379,613	360,257
Value	<b>£2.20 billion</b>	£2.29 billion	£2.16 billion	£2.20 billion
Average time to pay	<b>28.78 days</b>	29.72 days	27.01 days	28.02 days
Number/amount of compensation payments	<b>No payments for late settlement</b>	No payments for late settlement	No payments for late settlement	1 payment totalling £25 for late settlement

## 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. In 2007 we gave £37 million to support their work and a further £37 million will be donated in 2008 bringing our total contributions since the Lloyds TSB merger to over £360 million, making Lloyds TSB one of the largest charitable donors in the UK.

## 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 2007 we published a target to reduce our CO<sub>2</sub> emissions by 30 per cent by 2012, based on 2002 levels. This is a stretching target and to achieve it we will need to manage our energy consumption and efficiency together with our business travel. We calculate the environmental impacts associated with major projects and that has helped us to identify a number of property and IT related projects that will begin to deliver significant CO<sub>2</sub> reductions from 2008. Over time, many of these will also deliver significant cost savings.

Of course, we cannot eliminate all CO<sub>2</sub> emissions so in 2007 we also committed to become carbon neutral by offsetting those emissions that we cannot reduce. We can confirm that in 2007 we purchased carbon credits through our carbon trading desk to achieve carbon neutrality.

Greenhouse gas emissions				
Tonnes CO <sub>2</sub>	2007	2006*	2005	2002 Baseline
Property	<b>180,526</b>	181,086	177,047	198,950
Property renewable	<b>(18,164)</b>	(18,944)	(14,606)	n/a
Travel	<b>30,474</b>	29,705	29,540	26,333
Total	<b>192,836</b>	191,847	191,981	225,283
Combined heat and power	<b>(31,635)</b>	(30,945)	n/a	n/a
Net total	<b>161,201</b>	160,902	191,981	225,283

\*2006 travel figures have been restated to reflect the fact that C&G travel data is now included and to provide a more accurate comparison between 2006 and 2007.

More information on all of the above issues is available in the Group's Corporate Responsibility Report. Details of how to obtain a copy are on the back cover of this review.

# Summary consolidated income statement

for the year ended 31 December 2007

	2007 £ million	2006 £ million
Net interest income	6,099	5,329
Other income	12,129	14,344
<b>Total income</b>	<b>18,228</b>	19,673
Insurance claims	(7,522)	(8,569)
<b>Total income, net of insurance claims</b>	<b>10,706</b>	11,104
Operating expenses	(5,567)	(5,301)
<b>Trading surplus</b>	<b>5,139</b>	5,803
Impairment	(1,796)	(1,555)
Profit on sale of businesses	657	–
<b>Profit before tax</b>	<b>4,000</b>	4,248
Taxation	(679)	(1,341)
<b>Profit for the year</b>	<b>3,321</b>	2,907
Profit attributable to minority interests	32	104
Profit attributable to equity shareholders	3,289	2,803
<b>Profit for the year</b>	<b>3,321</b>	2,907
<b>Basic earnings per share</b>	<b>58.3p</b>	49.9p
<b>Diluted earnings per share</b>	<b>57.9p</b>	49.5p
<b>Total dividend per share for the year*</b>	<b>35.9p</b>	34.2p
<b>Total dividend for the year*</b>	<b>£2,026m</b>	£1,928m
	£000	£000
<b>Directors' emoluments</b>	<b>12,055</b>	11,257

\*Total dividend for the year represents the interim dividend paid in October 2007 and the final dividend which will be paid and accounted for in May 2008.

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 2007

	2007 £ million	2006 £ million
<b>Assets</b>		
Cash and balances at central banks	4,330	1,898
Derivatives, trading and other financial assets at fair value through profit or loss	66,570	73,260
Loans and advances to banks	34,845	40,638
Loans and advances to customers	209,814	188,285
Available-for-sale financial assets	20,196	19,178
Investment property	3,722	4,739
Intangible assets, including goodwill, and the value of in-force business	4,725	5,238
Tangible fixed assets	2,839	4,252
Other assets	6,305	6,110
<b>Total assets</b>	<b>353,346</b>	<b>343,598</b>
<b>Liabilities</b>		
Deposits from banks	39,091	36,394
Customer accounts	156,555	139,342
Derivative financial instruments, trading and other liabilities at fair value through profit or loss	10,788	6,947
Debt securities in issue	51,572	54,118
Insurance liabilities	38,617	42,128
Liabilities to customers under investment contracts	18,197	24,370
Retirement benefit obligations	2,144	2,462
Subordinated liabilities	11,958	12,072
Other liabilities	11,999	14,258
<b>Total liabilities</b>	<b>340,921</b>	<b>332,091</b>
Shareholders' equity	12,141	11,155
Minority interests	284	352
<b>Total equity</b>	<b>12,425</b>	<b>11,507</b>
<b>Total equity and liabilities</b>	<b>353,346</b>	<b>343,598</b>

The summary financial statement, comprising the summary consolidated income statement on page 17, the summary consolidated balance sheet on page 18 and the directors' remuneration commentary on page 20, was approved by the directors on 21 February 2008.

**Sir Victor Blank**  
Chairman

**J Eric Daniels**  
Group Chief Executive

**Helen A Weir**  
Group Finance Director

# Five year financial summary

	IFRS				UK GAAP	
	2007	2006	2005	2004	2004	2003
<b>Statutory results £m</b>						
Profit before tax	4,000	4,248	3,820	3,477	3,493	4,348
Profit for the year	3,321	2,907	2,555	2,459	2,489	3,323
Profit for the year attributable to equity shareholders	3,289	2,803	2,493	2,392	2,421	3,254
<b>Share information</b>						
Basic earnings per ordinary share	58.3p	49.9p	44.6p	42.8p	43.3p	58.3p
Dividends per ordinary share (net)	35.9p	34.2p	34.2p	34.2p	34.2p	34.2p
Market price (year end)	472.0p	571.5p	488.5p	473p	473p	448p
Number of shareholders (thousands)	814	870	920	953	953	974
Number of ordinary shares in issue (millions)	5,648	5,638	5,603	5,596	5,596	5,594
<b>Performance measures %</b>						
Post-tax return on average shareholders' equity	28.2	26.6	25.6	22.8	24.3	38.5
Post-tax return on average risk-weighted assets	2.03	1.89	1.81	1.99	2.01	2.63
Cost:income ratio*	52.0	47.7	51.9	54.8	51.4	52.2
	31 December 2007	31 December 2006	31 December 2005	1 January 2005	31 December 2004	31 December 2003
<b>Balance sheet</b>						
Shareholders' equity (£m)	12,141	11,155	10,195	9,489	9,977	9,624
Net assets per share (pence)	212p	195p	180p	167p	176p	170p
Total assets (£m)	353,346	343,598	309,754	292,854	279,843	252,012
Capital ratios: total capital (%)	11.0	10.7	10.9	10.1	10.0	11.3
tier 1 capital (%)	8.1	8.2	7.9	8.2	8.9	9.5

\* 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).

## Auditors' report

The auditors' reports on the full accounts for the year ended 31 December 2007 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, which comprises the summary consolidated income statement on page 17, the summary consolidated balance sheet on page 18 and the directors' remuneration commentary on page 20.

### 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 statement 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 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 into 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. 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 is consistent with the annual financial statements, directors' report and directors' remuneration report of Lloyds TSB Group plc for the year ended 31 December 2007 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  
21 February 2008

## Summary directors' report

An interim dividend of 11.2p per ordinary share was paid on 3 October 2007 and a final dividend of 24.7p per ordinary share will be paid on 7 May 2008.

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 11 to 14.

Biographical details of directors are shown on pages 21 and 22. Mr P N Green joined the board on 10 May 2007 and Sir David Manning has been appointed a director from 1 May 2008. Dr DeAnne S Julius and Mr G J N Gemmell left the board on 9 May 2007 and 30 September 2007, respectively.

Particulars of the directors' interests in shares in the Company and detailed information about share capital and control are shown in the full report and accounts.

# Governance

## Directors' remuneration

Full details of the Group's remuneration policy for directors as well as details of their remuneration in 2007 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](http://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. To attract, motivate and retain executive directors of the highest calibre, remuneration packages need to be highly competitive against the external market. In setting appropriate pay levels it is the Group's policy to consider the remuneration practice of the FTSE 20, and at the same time take close account of the remuneration policies of the Group's direct competitors, namely the major UK banks, with whom the Group typically competes for high calibre talent.

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 (which are granted 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 'sharesave' and 'shareplan' schemes on the same basis as other employees.

Incentive awards for executive directors are based upon individual contribution and overall corporate results. Half of the bonus opportunity is driven by corporate performance based upon the stretching budget relating to profit before tax and economic profit. The lower of profit before tax and economic profit will determine the extent to which the target has been met. The other half of the bonus opportunity is determined by divisional achievement driven through individual performance. Individual targets relevant to improving overall business performance are contained in a balanced scorecard and are grouped under the headings 'financial', 'franchise growth', 'customer service', 'risk' and 'people development'.

The maximum bonus opportunity is 200 per cent (225 per cent for Mr Daniels) of basic salary for the achievement of exceptional performance targets. The maximum payment under the corporate half of the bonus is only available if exceptional performance is achieved against the stretching corporate budget. An amount equal to 50 per cent of this element of the bonus is available on the achievement of the stretching corporate budget.

The aim of the long-term incentive plan (LTIP) is to deliver shareholder value through linking the receipt of shares to an improvement in the performance of the Group over a three year period.

Under the LTIP, 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 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

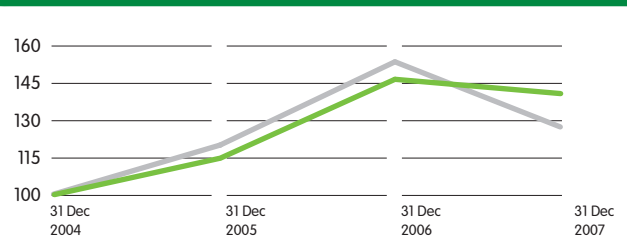
	2007 £000	2006 £000
Aggregate emoluments paid to directors	12,055	11,257
Aggregate gains made by directors on exercise of share options	–	125
Aggregate value of assets receivable under long-term incentive schemes	–	–
Aggregate company contributions in respect of directors to defined contribution pension schemes	173	122
Number of directors with retirement benefits accruing under:		
– defined contribution schemes	2	2
– defined benefit schemes	3	4

## Performance graphs

The first graph below compares the Company's TSR with the median TSR of the comparator group of 14 financial services companies. This is the comparator group used for the TSR performance conditions for all executive share awards since 2005.

The second graph illustrates the performance of the Group measured by TSR against a 'broad equity market index' over the past five years. The Group has been a constituent of the FTSE 100 index throughout this five year period.

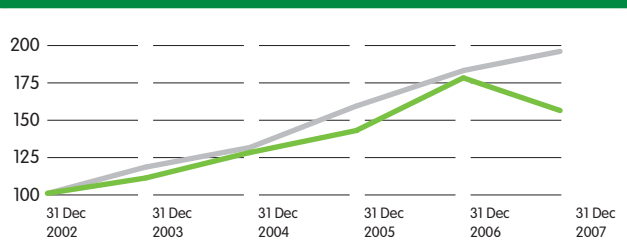
### Total shareholder return – Comparator group



— Lloyds TSB Group plc  
— Comparator Group median

Source: Alithos Limited

### Total shareholder return – FTSE 100 Index



— Lloyds TSB Group plc  
— FTSE 100 Index

Rebased to 100 on 31 December 2002  
Source: Datastream

# 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 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 from 2002 to 2007 and a member of the Council of Oxford University from 2000 to 2007. A senior adviser to the Texas Pacific Group. Chairs two charities, WellBeing of Women and UJS Hillel, as well as the Council of University College School. Aged 65.



**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. Aged 65.



**Ewan Brown CBE FRSE**▲◆◆+

Joined the board and became chairman of Lloyds TSB Scotland in 1999. 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, senior governor of the Court of the University of St Andrews and vice chairman of the Edinburgh International Festival. A former chairman of tie and non-executive director of John Wood Group. Aged 65.



**Jan P du Plessis**⊠◆◆

Joined the board in 2005. Chairman of British American Tobacco. 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. A former chairman of RHM from 2005 to 2007 and group finance director of Rothmans International from 1990 to 1995. Aged 54.



**Philip N Green**⊠◆†

Joined the board in May 2007. Appointed chief executive of United Utilities in 2006. Former chief executive of Royal P&O Nedlloyd from 2003 to 2005. Previously held senior positions in DHL from 1990 to 1999, becoming chief operating officer for Europe and Africa in 1994, and the Reuters Group from 1999 to 2003, becoming chief operating officer in 2001. A director of Business in the Community, a member of the UK Commission for Employment and Skills and a trustee of the Philharmonia Orchestra. Aged 54.



**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 of 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. A non-executive director of Digical Group, a member of the Altimo International advisory board and a senior adviser to UBS in relation to the global telecommunications sector. A former chairman of The Sage Group. Aged 59.



**Lord Leitch**⊠◆◆+

Joined the board in 2005. Appointed chairman of Scottish Widows in 2007. 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 (published in December 2006) 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 60.



**Sir David Manning GCMG CVO**⊠

Joined the board on 1 May 2008. Entered the Foreign and Commonwealth Office in 1972 and held senior appointments, including HM ambassador to Israel between 1995 and 1998, foreign policy adviser to the Prime Minister from 2001 to 2003 and HM ambassador to the USA from 2003 to 2007. Aged 58.

## The board

### 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 56.



#### **Michael E Fairey**

##### **Deputy Group Chief Executive (retiring on 30 June 2008)**

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. A non-executive director of The Energy Saving Trust and VTX Bidco. President of The British Quality Foundation and chairman of Race for Opportunity. Aged 59.



#### **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. Chairs the retail committee of the British Bankers' Association. A non-executive director of the LookSmart Corporation and a member of the advisory board of the Judge Business School of Cambridge and the London Skills and Employment Board. Aged 58.



#### **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. Chairman of the Association of British Insurers. Aged 55.



#### **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. A non-executive director of BritishAmerican Business Inc. A member of the fund-raising board of the National Society for the Prevention of Cruelty to Children. Aged 57.



#### **Helen A Weir CBE**

##### **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. A member of the Said Business School Advisory Board and a former member of the Accounting Standards Board. Aged 45.

#### **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 09058 890 190.

Visit [www.londonstockexchange.com](http://www.londonstockexchange.com) for details.

## Share dealing facilities

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

- Internet dealing. Log on to [www.lloydstsbsharedealing.com](http://www.lloydstsbsharedealing.com)
- Telephone dealing. Call 0845 6060560

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 the share dealing website or when you call the above number.

## Individual Savings Accounts (ISAs)

The Company provides a facility for investing in Lloyds TSB shares through an ISA. For details contact: Retail Investor Operations, Equiniti Limited, Aspect House, Spencer Road, Lancing, BN99 6DA. Telephone 0871 384 2244.

## Shareholder enquiries

The Company's share register is maintained by Equiniti Limited.

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

Equiniti operates a web based enquiry and portfolio management service for you to receive shareholder communications electronically. In addition, you can change your address or bank details and register proxy appointments and voting instructions on your shareholding online. Visit [www.shareview.co.uk](http://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 depository. 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](http://www.adrbny.com) or email [shareowners@bankofny.com](mailto:shareowners@bankofny.com)

# Financial calendar 2008

<b>22 February</b>	Results for 2007 announced
<b>5 March</b>	Ex-dividend date for 2007 final dividend
<b>7 March</b>	Record date for final dividend
<b>9 April</b>	Final date for joining or leaving the dividend reinvestment plan for the final dividend
<b>7 May</b>	Final dividend paid
<b>8 May</b>	Annual general meeting in Glasgow
<b>30 July</b>	Results for half-year to 30 June 2008 announced
<b>6 August</b>	Ex-dividend date for 2008 interim dividend
<b>8 August</b>	Record date for interim dividend
<b>3 September</b>	Final date for joining or leaving the dividend reinvestment plan for the interim dividend
<b>1 October</b>	Interim dividend paid

# 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, the policies and actions of governmental and regulatory authorities in the UK or jurisdictions outside the UK, including other European countries and the US, exposure to legal proceedings or complaints, changes in customer preferences, competition and other factors. Please refer to the latest Annual Report on Form 20-F filed with the US Securities and Exchange Commission for a discussion of such factors. The forward looking statements contained in this document are made as at the date of this document, and the Group undertakes no obligation to update any of its forward looking statements.

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Calls to 09058, 0871 and 0845 numbers are charged at 55p, 8p, and 5p per minute, respectively from a BT landline. Charges for calls from mobiles and other networks may vary.



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