

Lloyds TSB Bank plc

Interim Management Report

For the half-year to 30 June 2009

Member of the Lloyds Banking Group

FORWARD LOOKING STATEMENTS

This announcement contains forward looking statements with respect to the business, strategy and plans of the Lloyds TSB Bank plc, 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 trends and developments, changing demographic trends, changes in customer preferences, 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 regulatory scrutiny, legal proceedings or complaints, competition and other factors. Please refer to the latest annual report of Lloyds Banking Group on Form 20-F filed with the US Securities and Exchange Commission for a discussion of such factors. The forward looking statements contained in this announcement are made as at the date of this announcement, and the Group undertakes no obligation to update any of its forward looking statements.

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FINANCIAL REVIEW

Results

The consolidated income statement of Lloyds TSB Bank plc on page 4 shows a profit before tax of £882 million and a profit attributable to equity shareholders for the six month period ended 30 June 2009 of £828 million.

Principal activities

Lloyds TSB Bank plc (the Bank) and its subsidiaries (together the Group) provide a range of banking and financial services through branches and offices in the UK and overseas.

The Group's revenue is earned through interest and fees on a broad range of financial services products including current and savings accounts, personal loans, credit cards and mortgages within the retail market; loans and capital market products to commercial, corporate and asset finance customers; life, pensions and investment products; and private banking and asset management.

Review of results

Profit before tax increased by £222 million, or 34 per cent, as the profit earned on the redemption of undated subordinated debt of £1,746 million more than offset the increased impairment charge.

Net interest income decreased by £502 million reflecting a fall in the net interest margin, as higher asset pricing was more than offset by the impact of lower deposit margins due to falling base rates and higher funding costs. Net fee and commission income decreased by £263 million as the increase in retail premier product fees was more than offset by the decline in payment protection insurance income. Net trading income was significantly better than for the corresponding period in 2008 as a result of an improved performance within both the insurance and banking businesses. The increase in net trading income arising from the insurance business was substantially offset by the increase in insurance claims. Other operating income increased by £1,814 million, principally as a result of the profit recognised on the redemption of undated subordinated debt.

Operating expenses increased by £517 million, or 18 per cent. This reflects a write-down in the value of the goodwill held in respect of the Asset Finance business of £240 million in the first half of 2009 and higher integration costs of £210 million incurred by the Group.

Impairment losses increased by £1,149 million to £2,248 million in the six month period to 30 June 2009 compared with £1,099 million in the corresponding period last year driven by higher provisions against both corporate and retail customers in deteriorating economic environment.

PRINCIPAL RISKS AND UNCERTAINTIES

The most significant risks likely to be faced by the Group in the second half of the year are:

Economy: The economy continues to be an important driver of the Group's financial performance. The downturn in late 2008 and early 2009 was worse than predicted and this has impacted the Group's business in the first half of 2009. However, economic forecasts are now, for the first time in a year, being revised upwards, and the risk of a severe and prolonged downturn is receding. It appears likely that during the next 18 months there will be a gradual return to economic growth. Nevertheless, the Group remains cautious on the outlook. The Group also expects to see prices for residential and commercial property stabilise during this time.

Intended participation in the Government Asset Protection Scheme: The Group is working with HM Treasury to finalise the detailed terms and conditions and the operational mechanics of its intended participation in the Government Asset Protection Scheme (GAPS). The operation of the scheme and its impact on the Group's business (and the consequential impact on its lending and the wider economy) is complex. The Group expects to conclude these discussions and agree terms and conditions which are in the interest of shareholders.

State aid: As a result of the placing and open offer completed in January 2009, which is considered to constitute state aid under EU rules, the Group is required to submit a restructuring plan to the European Commission. Although the state aid process is formally one between HM Treasury and the Commission, both prior to and since the submission of the plan on 15 July 2009, the Group has been working closely with HM Treasury and this will continue throughout the process in order to reach an agreement which is acceptable to all parties.

Credit: Over the last six months the banking crisis has continued to impact the financial services industry resulting in high profile losses and write downs. This market dislocation has also been accompanied by recessionary conditions and adverse trends in many economies throughout the world, including the United Kingdom. The Group is impacted by the economic downturn and a further worsening of the business environment could adversely impact earnings during the next six months. This poses a major risk to the Group and its lending businesses: rising unemployment impacts the ability of customers to meet repayment dates on unsecured and secured lending and leads to a consequent increase in arrears; the downturn in the housing market reduces collateral values for residential property and this impacts upon the quality of secured lending and increases impairment losses; and companies are facing increasingly difficult conditions, resulting in corporate default levels rising and leading to increases in corporate impairment.

Liquidity and funding risk: Liquidity risk arises to the extent that the Lloyds Banking Group is unable to attract and retain traditional sources of funding such as retail and wholesale deposits or issue debt securities. Throughout the last six months the Lloyds Banking Group has maintained a satisfactory liquidity position, reinforced by actively participating in the support initiative of the Bank of England, other central banks and HM Treasury. A reduction in the availability of these sources could materially adversely affect the Group's ability to meet its financial obligations as they fall due.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Legal and regulatory risk: The Group is subject to stringent regulation in the UK, including a recent increase in the level of government intervention in the sector due to the declining market environment. The Turner Review, published by the FSA in March 2009, indicates that banks can also expect a shift from a 'light touch' principles based regime to an intensive and interventionist regime and considers a wide range of proposals to address the severe financial problems experienced by banks at the end of 2008. Future changes in regulation, fiscal or other policies are unpredictable, beyond the control of the Group and could materially adversely affect Group business. Recently proposed changes to capital and liquidity requirements could have a substantial impact on the scale of bank's business models. Changes to the regulatory regimes in other jurisdictions where the Group has a presence are expected and may have an impact on the Groups' operations.

The Group is also subject to legal or regulatory proceedings or other complaints brought against it in the High Court, elsewhere, or in jurisdictions outside the UK, including other EU countries and the US. For example, a major focus of US governmental policy relating to financial institutions in recent years has been combating money laundering and terrorist financing and enforcing compliance with US economic sanctions. The outcome of any proceeding or complaint is inherently uncertain and could have a material adverse effect on the Group's operations and/or financial condition, especially to the extent the scope of any such proceeding expands beyond its original focus. Failure to manage these risks adequately could impact the Group adversely, both financially and reputationally through an adverse impact on the Group's brands.

CONDENSED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT (unaudited)

| | Half-year to 30 June 2009 £m | Half-year to 30 June 2008 £m |
|---|---------------------------------------|---------------------------------------|
| Interest and similar income | 6,263 | 8,713 |
| Interest and similar expense | (3,092) | (5,040) |
| Net interest income | 3,171 | 3,673 |
| Fee and commission income | 1,448 | 1,582 |
| Fee and commission expense | (480) | (351) |
| Net fee and commission income | 968 | 1,231 |
| Net trading income | (707) | (4,802) |
| Insurance premium income | 2,197 | 2,914 |
| Other operating income | 2,119 | 305 |
| Other income | 4,577 | (352) |
| Total income | 7,748 | 3,321 |
| Insurance claims | (1,192) | 1,344 |
| Total income, net of insurance claims | 6,556 | 4,665 |
| Operating expenses | (3,427) | (2,910) |
| Trading surplus | 3,129 | 1,755 |
| Impairment | (2,248) | (1,099) |
| Share of results of joint ventures and associates | 1 | 4 |
| Profit before tax | 882 | 660 |
| Taxation | (43) | (35) |
| Profit for the period | 839 | 625 |
| Profit attributable to minority interests | 11 | 12 |
| Profit attributable to equity shareholders | 828 | 613 |
| Profit for the period | 839 | 625 |

CONDENSED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

| | Half-year to 30 June 2009 £m | Half-year to 30 June 2008 £m |
|--|---------------------------------------|---------------------------------------|
| Profit for the period | 839 | 625 |
| Other comprehensive income: | | |
| Movements in available-for-sale financial assets, net of tax: | | |
| Change in fair value | 344 | (674) |
| Transferred to income statement in respect of disposals | (7) | (18) |
| Transferred to income statement in respect of impairment | 41 | 44 |
| Other transfers to income statement | 33 | - |
| | 411 | (648) |
| Movement in cash flow hedges, net of tax: | | |
| Effective portion of changes in fair value taken to equity | 6 | (10) |
| Net gains transferred to the income statement | (24) | 5 |
| | (18) | (5) |
| Currency translation differences | 199 | 28 |
| Other comprehensive income for the period, net of tax | 592 | (625) |
| Total comprehensive income for the period | 1,431 | - |
| Total comprehensive income attributable to minority interests | 6 | 12 |
| Total comprehensive income attributable to equity shareholders | 1,425 | (12) |
| Total comprehensive income for the period | 1,431 | - |

CONDENSED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET (unaudited)

| | 30 June 2009 | 31 Dec 2008 |
|--|-----------------|----------------|
| | £m | £m |
| Assets | | |
| Cash and balances at central banks | 58,312 | 5,008 |
| Items in course of collection from banks | 1,411 | 946 |
| Trading and other assets designated at fair value through profit or loss | 43,586 | 45,115 |
| Derivative financial instruments | 19,644 | 28,884 |
| Loans and receivables: | | |
| Loans and advances to customers | 236,223 | 240,344 |
| Loans and advances to banks | 102,677 | 38,733 |
| Debt securities | 3,323 | 4,416 |
| | 342,223 | 283,493 |
| Available-for-sale financial assets | 19,298 | 55,707 |
| Investment property | 2,109 | 2,631 |
| Investment in joint ventures and associates | 56 | 55 |
| Goodwill | 2,016 | 2,256 |
| Value of in-force business | 1,918 | 1,893 |
| Other intangible assets | 203 | 197 |
| Tangible fixed assets | 3,625 | 2,965 |
| Current tax recoverable | 207 | 440 |
| Deferred tax assets | 678 | 837 |
| Other assets | 5,716 | 5,764 |
| Total assets | 501,002 | 436,191 |

CONDENSED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET (unaudited)

| | 30 June 2009 £m | 31 Dec 2008 £m |
|---|-----------------------|----------------------|
| Equity and liabilities | | |
| Deposits from banks | 109,835 | 66,514 |
| Customer deposits | 165,799 | 172,364 |
| Items in course of transmission to banks | 711 | 508 |
| Trading and other liabilities designated at fair value through profit or loss | 5,959 | 6,754 |
| Derivative financial instruments | 20,516 | 28,189 |
| Debt securities in issue | 109,961 | 73,066 |
| Liabilities arising from insurance contracts and participating investment contracts | 33,209 | 33,827 |
| Liabilities arising from non-participating investment contracts | 13,805 | 14,243 |
| Unallocated surplus within insurance businesses | 308 | 270 |
| Other liabilities | 13,442 | 11,494 |
| Retirement benefit obligations | 1,604 | 1,771 |
| Other provisions | 329 | 230 |
| Subordinated liabilities | 14,522 | 17,389 |
| Total liabilities | 490,000 | 426,619 |
| Equity | | |
| Share capital | 1,542 | 1,542 |
| Share premium account | 2,960 | 2,960 |
| Other reserves | (2,227) | (2,824) |
| Retained profits | 8,416 | 7,588 |
| Shareholders' equity | 10,691 | 9,266 |
| Minority interests | 311 | 306 |
| Total equity | 11,002 | 9,572 |
| Total equity and liabilities | 501,002 | 436,191 |

CONDENSED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

| | Attributable to equity shareholders | | | | |
|---|-------------------------------------|-------------------|---------------------|-----------------------|---------|
| | Share capital and premium | Other reserves | Retained profits | Minority interests | Total |
| | | £m | £m | £m | £m |
| Balance as at 31 December 2007 | 4,502 | (411) | 9,064 | 284 | 13,439 |
| Total comprehensive income | - | (625) | 613 | 12 | - |
| Dividends | - | - | (1,646) | (10) | (1,656) |
| Repayment of capital to minority shareholders | - | - | - | (2) | (2) |
| Balance as at 30 June 2008 | 4,502 | (1,036) | 8,031 | 284 | 11,781 |
| Total comprehensive income | - | (1,788) | 205 | 42 | (1,541) |
| Dividends | - | - | (648) | (19) | (667) |
| Repayment of capital to minority shareholders | - | - | - | (1) | (1) |
| Balance as at 31 December 2008 | 4,502 | (2,824) | 7,588 | 306 | 9,572 |
| Total comprehensive income | - | 597 | 828 | 6 | 1,431 |
| Repayment of capital to minority shareholders | - | - | - | (1) | (1) |
| Balance as at 30 June 2009 | 4,502 | (2,227) | 8,416 | 311 | 11,002 |

CONDENSED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT (unaudited)

| | Half-year to 30 June 2009 £m | Half-year to 30 June 2008 £m |
|--|---------------------------------------|---------------------------------------|
| Profit before tax | 882 | 660 |
| Adjustments for: | | |
| Change in operating assets | (57,735) | (16,626) |
| Change in operating liabilities | 68,491 | 15,403 |
| Non-cash and other items | 892 | (1,604) |
| Tax received (paid) | 4 | (542) |
| Net cash provided by (used in) operating activities | 12,534 | (2,709) |
| Cash flows from investing activities | | |
| Purchase of available-for-sale financial assets | (425,243) | (12,864) |
| Proceeds from sale and maturity of available-for-sale financial assets | 460,009 | 7,908 |
| Purchase of fixed assets | (568) | (561) |
| Proceeds from sale of fixed assets | 310 | 250 |
| Acquisition of businesses, net of cash acquired | (15) | (1) |
| Net cash provided by (used in) investing activities | 34,493 | (5,268) |
| Cash flows from financing activities | | |
| Dividends paid to equity shareholders | - | (1,646) |
| Dividends paid to minority interests | - | (10) |
| Interest paid on subordinated liabilities | (579) | (342) |
| Proceeds from issue of subordinated liabilities | - | 2,551 |
| Repayment of subordinated liabilities | (486) | - |
| Repayment of capital to minority shareholders | (1) | (2) |
| Net cash provided by (used in) financing activities | (1,066) | 551 |
| Effects of exchange rate changes on cash and cash equivalents | (335) | 180 |
| Change in cash and cash equivalents | 45,626 | (7,246) |
| Cash and cash equivalents at beginning of period | 32,760 | 31,891 |
| Cash and cash equivalents at end of period | 78,386 | 24,645 |

Cash and cash equivalents comprise cash and balances at central banks (excluding mandatory deposits) and amounts due from banks with a maturity of less than three months.

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1. Basis of preparation

The ongoing global upheaval in the financial markets has been characterised by a systemic reduction in wholesale markets liquidity. The steps taken in 2008 by HM Treasury, through the introduction of the Government guarantee scheme for senior funding, and the Bank of England, through extended long-term repo and US Dollar repo facilities and the new discount window facility, have continued to provide assurance of liquidity support to the banking markets. Despite some improvement in market liquidity during the second quarter of 2009, the Group continues to be partly reliant upon these facilities in order to maintain its wholesale funding position.

In the context of continued uncertainty in the financial markets and the deterioration in economic conditions in the UK, further steps have been, and are being, taken to strengthen the Group's capital position. In March 2009, the Lloyds Banking Group announced its intention to participate in the Government Asset Protection Scheme (GAPS) which could result in a significant improvement in the Group's capital position.

There is a risk that market conditions deteriorate once more leading to a renewed contraction in wholesale funding sources. The key dependencies on successfully funding the Group's balance sheet include the continued functioning of the money and capital markets at their current levels; the continued access of the Group to central bank and Government sponsored liquidity facilities; limited further deterioration in the Group's credit ratings; and no significant or sudden withdrawal of deposits resulting in increased reliance on money markets or Government support schemes. In addition, a prolonged economic downturn in the UK may result in greater strain being placed upon the Group's capital resources.

Based upon projections prepared by management which assume the continued availability of the Government sponsored funding scheme and other actions to strengthen the Group's capital position, the directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future. Accordingly, these condensed interim financial statements have been prepared on a going concern basis.

2. Accounting policies and estimates

These condensed interim financial statements as at and for the half-year to 30 June 2009 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with International Accounting Standard (IAS) 34, 'Interim Financial Reporting', as adopted by the European Union. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2008 (2008 annual report and accounts), which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Balance sheet presentation

To provide a more reliable and relevant presentation of the Group's financial instruments, additional line items have been added to the consolidated balance sheet to separately show debt securities classified as loans and receivables.

Comparatives have been reclassified to conform to the revised presentation.

2. Accounting policies and estimates (continued)

Accounting policies and estimates

As required by IAS 34, the Group's income tax expense for the six months ended 30 June 2009 is based on the best estimate of the weighted-average annual income tax rate expected for the full financial year. With this exception, the accounting policies, significant judgements made by management in applying them, and key sources of estimation uncertainty applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its 2008 annual report and accounts.

The following new standards and amendments to standards are effective for financial years beginning on or after 1 January 2009 and have impacted these condensed interim financial statements as at and for the half-year to 30 June 2009.

IAS 1 (revised), 'Presentation of Financial Statements'. The revised standard prohibits the presentation of items of income and expense (that is non-owner changes in equity) in the statement of changes in equity, requiring non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

IFRS 8 'Operating Segments'. The new standard replaces IAS 14 'Segment Reporting' and requires reporting of financial and descriptive information about operating segments which are based on how financial information is reported and evaluated internally. The chief operating decision maker has been identified as the Group Executive Committee (GEC). The Group is managed on an entity basis and not by segment, and the GEC does not assess performance and allocate resources across any segments; accordingly no segmental information is provided. A brief overview of its sources of income is provided in the Financial review.

The ultimate parent undertaking, Lloyds Banking Group plc, produces consolidated accounts which set out the basis of the segments through which it manages performance and allocates resources across the consolidated Group.

In accordance with IAS 19 'Employee Benefits', and the Group's normal practice, the valuation of the Group's schemes will be formally updated at the year end. No adjustment has therefore been made to the valuation at 30 June 2009.

The Group reviews goodwill held in the Group's balance sheet for impairment at least annually or when events or changes in economic circumstances indicate that impairment may have taken place. Goodwill attributable to the Group's Asset Finance business, for which an impairment charge was recognised in the Group's financial statements for the year 31 December 2008, was reviewed for impairment during the half-year ended 30 June 2009 due to the continuing uncertainties over the short-term macroeconomic environment. As a consequence, the carrying value of the consumer finance cash generating unit within Asset Finance has been reassessed resulting in an additional goodwill impairment charge of £240 million at 30 June 2009.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that impact the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. There have been no significant changes in the bases upon which estimates have been determined, compared to those applied at 31 December 2008.

2. Accounting policies and estimates (continued)**Reclassification of financial assets**

The Group did not reclassify any assets held for trading to loans and receivables or from available-for-sale to loans and receivables in the six month period to 30 June 2009 or in the corresponding period in 2008.

In respect of assets previously transferred from held for trading to loans and receivables, net interest income of £26 million and an impairment charge of £25 million has been recognised in the income statement for the six months to 30 June 2009. If the assets had not been transferred, an additional loss of £8 million would have been recognised from the movement in fair value.

In respect of assets previously transferred from available-for-sale to loans and receivables, net interest income of £2 million and an impairment charge of £53 million has been recognised in the income statement for the six months to 30 June 2009. If the assets had not been transferred, no impairment charge would have been recognised in the six months to 30 June 2009.

Other matters

No significant events, other than those disclosed within this document, have occurred between 30 June 2009 and the date of approval of these condensed interim financial statements. Full details of the Group's related party transactions for the year to 31 December 2008 and share-based payment schemes can be found in the Group's 2008 annual report and accounts.

3. Other income

| | Half-year to 30 June 2009 £m | Half-year to 30 June 2008 £m |
|--|---------------------------------------|---------------------------------------|
| Fee and commission income: | | |
| Current account fees | 383 | 361 |
| Insurance broking | 99 | 280 |
| Card services | 277 | 282 |
| Other fees and commissions | 689 | 659 |
| | 1,448 | 1,582 |
| Fees and commission expense | (480) | (351) |
| Net fee and commission income | 968 | 1,231 |
| Net trading income | (707) | (4,802) |
| Insurance premium income | 2,197 | 2,914 |
| Other operating income | 2,119 | 305 |
| Total other income | 4,577 | (352) |
| Insurance claims | (1,192) | 1,344 |
| Total other income, net of insurance claims | 3,385 | 992 |

4. Operating expenses

| | Half-year to 30 June 2009 | Half-year to 30 June 2008 |
|---------------------------------|--|--|
| | £m | £m |
| Administrative expenses | | |
| Staff | 1,703 | 1,441 |
| Premises and equipment | 350 | 311 |
| Other expenses | 777 | 833 |
| Administrative expenses | 2,830 | 2,585 |
| Depreciation and amortisation | | |
| Property and equipment | 176 | 169 |
| Operating leases | 156 | 139 |
| Intangible assets | 25 | 17 |
| Depreciation and amortisation | 357 | 325 |
| Goodwill impairment | 240 | - |
| Total operating expenses | 3,427 | 2,910 |

5. Impairment losses

| | Half-year to 30 June 2009 | Half-year to 30 June 2008 |
|--|--|--|
| | £m | £m |
| Impairment losses on loans and advances to customers | 2,112 | 1,041 |
| Impairment losses on loans and advances to banks | 14 | - |
| Impairment losses on debt securities | 78 | - |
| Impairment of loans and receivables | 2,204 | 1,041 |
| Other credit risk provisions | 40 | (4) |
| Impairment of available-for-sale financial assets | 4 | 62 |
| Total impairment charge | 2,248 | 1,099 |

6. Taxation

A reconciliation of the charge that would result from applying the standard UK corporation tax rate to profit before tax to the tax charge is given below:

| | Half-year to 30 June 2009 | Half-year to 30 June 2008 |
|--|---------------------------------|---------------------------------|
| | £m | £m |
| Profit before tax | <u>882</u> | <u>660</u> |
| Tax charge thereon at UK corporation tax rate of 28% (2008: 28.5%) | (247) | (188) |
| Factors affecting charge: | | |
| Goodwill impairment | (67) | - |
| Disallowed and non-taxable items | 156 | (29) |
| Overseas tax rate differences | (9) | (3) |
| Gains exempted or covered by capital losses | 3 | 2 |
| Policyholder interests | 141 | 207 |
| Other items | <u>(20)</u> | <u>(24)</u> |
| Tax charge | <u>(43)</u> | <u>(35)</u> |

The tax charge/(credit) recognised in other comprehensive income is shown below:

Half-year to 30 June 2009

| | Before-tax amount £m | Tax (expense) benefit £m | Net of tax amount £m |
|--|----------------------------|-----------------------------------|----------------------------|
| Movements in available-for-sale financial assets: | | | |
| Change in fair value | 380 | (36) | 344 |
| Transferred to income statement in respect of disposals | (7) | - | (7) |
| Transferred to income statement in respect of impairment | 57 | (16) | 41 |
| Other transfers to income statement | 46 | (13) | 33 |
| | <u>476</u> | <u>(65)</u> | <u>411</u> |
| Movements in cash flow hedges: | | | |
| Effective portion of changes in fair value taken to equity | 8 | (2) | 6 |
| Net gains transferred to the income statement | (33) | 9 | (24) |
| | <u>(25)</u> | <u>7</u> | <u>(18)</u> |
| Currency translation differences | <u>582</u> | <u>(383)</u> | <u>199</u> |
| Other comprehensive income for the period | <u>1,033</u> | <u>(441)</u> | <u>592</u> |

6. Taxation (continued)

Half-year to 30 June 2008

| | Before-tax amount £m | Tax (expense) benefit £m | Net of tax amount £m |
|--|----------------------------|-----------------------------------|----------------------------|
| Movements in available-for-sale financial assets: | | | |
| Change in fair value | (710) | 36 | (674) |
| Transferred to income statement in respect of disposals | (18) | - | (18) |
| Transferred to income statement in respect of impairment | 62 | (18) | 44 |
| Other transfers to income statement | - | - | - |
| | (666) | 18 | (648) |
| Movements in cash flow hedges: | | | |
| Effective portion of changes in fair value taken to equity | (11) | 1 | (10) |
| Net gains transferred to the income statement | 5 | - | 5 |
| | (6) | 1 | (5) |
| Currency translation differences | (126) | 154 | 28 |
| Other comprehensive income for the period | (798) | 173 | (625) |

7. Trading and other assets designated at fair value through profit or loss

| | As at 30 June 2009 £m | As at 31 Dec 2008 £m |
|---|--------------------------------|-------------------------------|
| Trading | 825 | 857 |
| Other financial assets at fair value through profit or loss | | |
| Loans and advances to customers | 191 | 325 |
| Debt securities | 20,027 | 20,608 |
| Equity shares | 22,543 | 23,325 |
| | 42,761 | 44,258 |
| | 43,586 | 45,115 |

8. Derivative financial instruments

| | As at 30 June 2009 | | As at 31 Dec 2008 | |
|---|---------------------------------|--------------------------------------|---------------------------------|--------------------------------------|
| | Fair value of assets | Fair value of liabilities | Fair value of assets | Fair value of liabilities |
| | £m | £m | £m | £m |
| Trading | | | | |
| Exchange rate contracts | 4,520 | 6,152 | 10,869 | 7,254 |
| Interest rate contracts | 10,760 | 11,614 | 13,089 | 14,015 |
| Credit derivatives | 2,744 | 1,513 | 4,257 | 2,670 |
| Equity and other contracts | 288 | 184 | 234 | 81 |
| | 18,312 | 19,463 | 28,449 | 24,020 |
| Hedging | | | | |
| Derivatives designated as fair value hedges | 713 | 960 | 434 | 1,665 |
| Derivatives designated as cash flow hedges | 2 | 60 | 1 | 91 |
| Derivatives designated as net investment hedges | 617 | 33 | - | 2,413 |
| | 1,332 | 1,053 | 435 | 4,169 |
| | 19,644 | 20,516 | 28,884 | 28,189 |

The Group reduces exposure to credit risk by using master netting agreements and by obtaining cash collateral. At 30 June 2009, £6,194 million (31 December 2008: £10,598 million) of the derivatives assets held are available for offset under master netting arrangements. These do not meet the criteria under IAS 32 to enable derivative assets to be presented net of these balances. Of the net derivative assets of £13,450 million (31 December 2008: £18,286 million), cash collateral of £2,318 million (31 December 2008: £2,970 million) was held and a further £8,908 million (31 December 2008: £5,840 million) was due from Organisation for Economic Co-operation and Development (OECD) banks.

9. Loans and advances to customers

| | As at 30 June 2009 | As at 31 Dec 2008 |
|---|-----------------------------------|----------------------------------|
| | £m | £m |
| Agriculture, forestry and fishing | 4,398 | 3,969 |
| Energy and water supply | 2,364 | 2,598 |
| Manufacturing | 9,310 | 12,057 |
| Construction | 2,916 | 3,016 |
| Transport, distribution and hotels | 11,988 | 14,664 |
| Postal and communications | 910 | 1,060 |
| Property companies | 23,392 | 23,318 |
| Financial, business and other services | 34,309 | 33,319 |
| Personal – mortgages | 116,389 | 114,643 |
| – other | 24,667 | 25,318 |
| Lease financing | 4,465 | 4,546 |
| Hire purchase | 5,087 | 5,295 |
| Due from fellow Lloyds Banking Group undertakings | 6 | - |
| | 240,201 | 243,803 |
| Allowance for impairment losses on loans and advances | (3,978) | (3,459) |
| Total loans and advances to customers | 236,223 | 240,344 |

Loans and advances to customers include advances securitised under the Group's securitisation and covered bonds programmes. Further details are given in note 11.

10. Allowance for impairment losses on loans and receivables

| | As at 30 June 2009 | As at 31 Dec 2008 |
|--|-----------------------------------|----------------------------------|
| | £m | £m |
| Balance at start of the period | 3,727 | 2,593 |
| Exchange and other adjustments | (107) | 31 |
| Advances written off in previous periods | (1,552) | (734) |
| Recoveries of advances written off in previous periods | 59 | 52 |
| Unwinding of discount | (47) | (50) |
| Charge to the income statement in the six month period | 2,204 | 1,835 |
| Balance at end of the period | 4,284 | 3,727 |
| Loans and advances to banks | 148 | 135 |
| Loans and advances to customers | 3,978 | 3,459 |
| Debt securities | 158 | 133 |
| | 4,284 | 3,727 |

11. Securitisations and covered bonds*Securitisations*

Loans and advances to customers include advances securitised under the Group's securitisation programmes, the majority of which have been sold to bankruptcy remote special purpose entities (SPEs). As the SPEs are funded by the issue of debt on terms whereby some of the risks and rewards of the portfolio are retained, the SPEs are consolidated fully and all of these advances are retained on the Group's balance sheet, with the related notes in issue included within debt securities in issue.

Covered bonds

Certain loans and advances to customers have been assigned to bankruptcy remote limited liability partnerships to provide security to issues of covered bonds by the Group. The Group retains substantially all of the risks and rewards associated with these loans and the partnerships are consolidated fully and the loans retained on the Group's balance sheet, with the related covered bonds on issue included within debt securities in issue.

The Group's principal securitisation and covered bonds programmes, together with the balances of the advances subject to notes in issue are listed below.

| Type of loan | | As at 30 June 2009 | | As at 31 Dec 2008 | |
|---|-----------------------------------|--------------------------|-----------------|--------------------------|----------------|
| | | Gross assets securitised | Notes in issue | Gross assets securitised | Notes in issue |
| | | £m | £m | £m | £m |
| <i>Securitisation</i> | | | | | |
| Arkle | UK residential mortgages | 21,179 | 22,337 | 25,179 | 27,189 |
| Ascot Black | Commercial banking loans | 1,355 | - | 1,434 | - |
| Goodwood Gold | Commercial banking loans | 2,869 | 113 | 2,909 | 127 |
| Doncaster Gold | Commercial banking loans | 878 | 33 | 950 | 48 |
| Exeter Blue | PPP/PFI and project finance loans | 843 | 42 | 859 | 48 |
| Kelson | Corporate banking loans and RCFs | 664 | 3 | 1,158 | 3 |
| Morse | Corporate banking loans and RCFs | 853 | - | 1,050 | - |
| | | 28,641 | 22,528 | 33,539 | 27,415 |
| <i>Covered bonds</i> | | | | | |
| Arkle | UK residential mortgages | 38,233 | 29,000 | 40,608 | 24,000 |
| Total securitisations and covered bonds | | 66,874 | 51,528 | 74,147 | 51,415 |
| Less held by the Group | | | (42,460) | | (41,365) |
| Total | | | 9,068 | | 10,050 |

Cash deposits of £3,761 million (2008: £1,846 million) held by the Group are restricted in use to repayment of the debt securities issued by the SPEs and other legal obligations.

In total the Group has securitised £50,905 million (2008: £56,689 million) of mortgage assets under certain securitisation and covered bond programmes and purchased all of the loan notes in issue relating to those issuances for £42,365 million (2008: £41,365 million). These transactions do not lead to any derecognition of the mortgage assets as the Group has retained all of the risks and rewards associated with the loan notes.

12. Debt securities in issue

| | As at 30 June 2009 | | | As at 31 Dec 2008 | | |
|--------------------------|--|-------------------------|----------------|--|-------------------------|---------------|
| | At fair value through profit or loss | At amortised cost | Total | At fair value through profit or loss | At amortised cost | Total |
| | £m | £m | £m | £m | £m | £m |
| Certificates of deposit | - | 44,010 | 44,010 | - | 33,207 | 33,207 |
| Medium-term notes issued | 5,751 | 37,959 | 43,710 | 6,748 | 9,179 | 15,927 |
| Commercial paper | - | 18,924 | 18,924 | - | 20,630 | 20,630 |
| Securitisation (note 11) | - | 9,068 | 9,068 | - | 10,050 | 10,050 |
| | 5,751 | 109,961 | 115,712 | 6,748 | 73,066 | 79,814 |

Included within commercial paper above is £9,037 million (2008: £12,762 million) issued by the Cancara conduit.

13. Contingent liabilities and commitments

| | As at 30 June 2009 | As at 30 Dec 2008 |
|--|--------------------------|-------------------------|
| | £m | £m |
| Contingent liabilities | | |
| Acceptances and endorsements | 73 | 49 |
| Other: | | |
| Other items serving as direct substitutes | 1,537 | 1,870 |
| Performance bonds and other transaction-related contingencies | 2,641 | 2,850 |
| | 4,178 | 4,720 |
| | 4,251 | 4,769 |
| Commitments | | |
| Documentary credits and other short-term trade related transactions | 299 | 319 |
| Forward asset purchases and forward deposits placed | 871 | 613 |
| Undrawn formal standby facilities, credit lines and other commitments to lend: | | |
| Mortgage offers | 1,924 | 3,056 |
| Other commitments | 72,321 | 77,767 |
| | 74,245 | 80,823 |
| | 75,415 | 81,755 |

14. Legal and regulatory matters

The Bank along with HBOS plc and six other financial institutions has been involved in legal proceedings with the Office of Fair Trading (OFT), regarding the legal status and enforceability of unarranged overdraft charges. The proceedings to date have been concerned with whether certain of the financial institutions' terms and conditions are subject to the fairness test in the Unfair Terms in Consumer Contract Regulations 1999 and whether they are capable of being 'penalties' at common law. The High Court previously confirmed that the relevant financial institutions' then current terms and conditions were not capable of being penalties at common law but were assessable for fairness under the Regulations (please see note 48 of the Lloyds Banking Group 2008 annual report and accounts for further details of the history of the proceedings, including the status of proceedings relating to historic terms and conditions).

On 26 February 2009, the Court of Appeal dismissed the appeal against the High Court's judgment made by relevant financial institutions and held that unarranged overdraft charges are assessable for the fairness under the Unfair Terms in Consumer Contract Regulations 1999. The House of Lords gave the relevant financial institutions permission to appeal this judgment. The hearing before the House of Lords took place on 23 to 25 June 2009. The judgment is awaited.

The OFT continues to investigate the fairness of specific bank charges, but has yet to determine whether the charges are fair. On 31 March 2009, the OFT announced that it is to streamline its investigation into unarranged overdraft charges by focusing on the terms of three banks, including the Bank. The OFT has stated that the aim of this is to progress the investigation in the shortest and most efficient way possible. The OFT has stated that it believes that the terms of the three selected banks provide the best representative selection of all the relevant financial institutions' unarranged overdraft charging terms, and therefore the outcome of this more focused investigation will be relevant to the assessment of other relevant financial institutions' terms. The OFT has stated that it should not be assumed that the OFT is more or less likely to find the three banks' terms unfair than those of the other banks. The investigation into the other banks' terms is merely on hold.

On 22 July 2009, the FSA announced that it was granting to the relevant financial institutions (including the Bank) a further waiver until 26 January 2010. The waiver permits the relevant entities to continue suspending the handling of complaints related to the level, fairness or lawfulness of unarranged overdraft charges. Cases before the Financial Ombudsman Service and the County Courts are currently stayed pending the outcome of the legal proceedings initiated by the OFT.

The Group intends to continue to defend its position strongly. No provision in relation to the outcome of this litigation has been made. A range of outcomes is possible, some of which could have a significant financial impact on the Group. The ultimate impact of the litigation on the Group can only be known at its conclusion.

As set out in note 48 of the Lloyds Banking Group's 2008 annual report and accounts, in January 2009 the Bank announced the settlement it had reached with the US Department of Justice and the New York District Attorney's Office in relation to their investigations into historic US dollar payment practices involving countries, person or entities subject to the economic sanctions administered by the US Office of Foreign Assets Control (OFAC). The Bank is continuing discussions with OFAC regarding the terms of the resolution of its investigation. The Group does not currently believe that any additional liability requiring provision will arise following the conclusion of the discussions with OFAC and does not anticipate any further enforcement actions as to these issues. On 26 February 2009, a purported shareholder filed a derivative civil action in the Supreme Court of New York, Nassau County against certain current and former directors, and nominally against the Bank and Lloyds Banking Group plc, seeking various forms of relief arising out of the Bank's settlement with the US Department of Justice and New York County District Attorney's Office. The derivative action is at a very early stage.

14. Legal and regulatory matters (continued)

On 1 July 2008, the Financial Ombudsman Service referred concerns regarding the handling of PPI complaints to the FSA as an issue of wider implication. The Bank and other industry members and trade associations have made submissions to the FSA regarding this referral. The matter was considered at the FSA Board meeting on 25 September 2008. The Bank has been working with other industry members and trade associations in preparing an industry response to address regulatory concerns regarding the handling of PPI complaints. The FSA has now indicated that it will issue formal handbook guidance and/or rules on PPI complaint handling by the end of 2009 and a consultation paper which builds on the proposals put forward by the industry members, trade associations and other relevant parties is expected during the second half of 2009.

On 30 September 2008, the FSA published a statement arising from its ongoing thematic review of PPI sales. In the statement, which was directed at the industry generally, the FSA highlighted certain concerns and indicated that it was escalating its regulatory intervention and considering appropriate action to deal with ongoing non-compliant sales practices and to remedy non-compliant past sales. The FSA plans indicate that an update on the third phase of the thematic work would be published during 2009. In recent months the FSA has also written to a number of trade associations and firms on an industry wide basis raising issues in relation to mortgage PPI variation and cancellation terms, and the disclosure of these during a sale. Those industry discussions are ongoing and the Bank is participating in those discussions. No provision in relation to the outcome of this issue has been made as the ultimate impact on the Group is not yet known.

In addition, during the ordinary course of business the Group is subject to threatened and actual legal proceedings, regulatory investigations and enforcement actions. All such material matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Group incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established to management's best estimate of the amount required to settle the obligation at the relevant balance sheet date. In some cases it will not be possible to form a view, either because the facts are unclear or because further time is needed properly to assess the merits of the matter. No provisions are held against such matters; however the Group does not currently expect the final outcome of these matters to have a material adverse effect on its financial position.

15. Capital structure

| | As at 30 June 2009 £m | As at 31 Dec 2008 £m |
|---|--------------------------------|-------------------------------|
| Capital resources | | |
| Core tier 1 | | |
| Ordinary share capital and reserves | 10,969 | 9,446 |
| Regulatory post-retirement benefit adjustments | 315 | 435 |
| Available-for-sale revaluation reserve and cash flow hedging reserve | 2,324 | 2,997 |
| Other items | 6 | 3 |
| | 13,614 | 12,881 |
| Less deductions from tier 1 | | |
| Goodwill and other intangible assets | (2,119) | (2,356) |
| Excess expected loss | (871) | (920) |
| Other deductions | (331) | (179) |
| | (3,321) | (3,455) |
| Perpetual non-cumulative preference shares | | |
| Preference share capital | 2,979 | 1,974 |
| Innovative tier 1 | | |
| Preferred securities (less restriction in amount eligible) | 2,505 | 2,174 |
| Total tier 1 capital | 15,777 | 13,574 |
| Upper tier 2 | | |
| Available-for-sale revaluation reserve in respect of equities | 6 | 8 |
| Undated subordinated debt | 2,191 | 5,192 |
| Innovative capital restricted from tier 1 | 1,105 | 995 |
| Collectively assessed impairment provisions in respect of standardised portfolios | 28 | 21 |
| Lower tier 2 | | |
| Dated subordinated debt | 4,894 | 5,320 |
| Deductions from tier 2 | | |
| Excess expected loss | (871) | (920) |
| Other deductions | (331) | (179) |
| Total tier 2 capital | 7,022 | 10,437 |
| Supervisory deductions | | |
| Unconsolidated investments – life | (4,243) | (4,208) |
| – other | (641) | (550) |
| Total supervisory deductions | (4,884) | (4,758) |
| Total capital resources | 17,915 | 19,253 |
| Risk-weighted assets⁽¹⁾ | 172,648 | 170,490 |
| Core tier 1 ratio ⁽¹⁾ | 6.0% | 5.5% |
| Tier 1 capital ratio ⁽¹⁾ | 9.1% | 8.0% |
| Total capital ratio ⁽¹⁾ | 10.4% | 11.3% |

⁽¹⁾ Outside the scope of PwC review.

16. Related party transactions

On 16 January 2009, the Bank's parent undertaking Lloyds Banking Group plc, acquired HBOS plc and as a result the Bank and HBOS plc became related parties.

The Group transacts with the HBOS group of companies during the ordinary course of business. Details of transactions and outstanding balances as at and for the half-year ended 30 June 2009 are set out below:

| | Half-year to 30 June 2009 £m |
|--|---------------------------------------|
| Transactions | |
| Interest income earned | 374 |
| Interest expense | (82) |
| Net trading income | (82) |
| | 30 June 2009 £m |
| Outstanding balances | |
| Loans and advances to banks | 77,267 |
| Trading and other financial assets designated at fair value through profit or loss | 84 |
| Derivative assets | 590 |
| Available-for-sale financial assets | 849 |
| Other assets | 70 |
| Deposits from banks | (31,744) |
| Customer accounts | (309) |
| Debt securities in issue | (681) |
| Net derivative liability | (323) |
| Other liabilities | (11) |
| Subordinated liabilities | (71) |

On 13 January 2009, HM Treasury subscribed for shares in Lloyds Banking Group plc which, together with the shares it held in HBOS plc gave it a 43.38 per cent interest in the Lloyds Banking Group's ordinary share capital upon completion of the acquisition by Lloyds Banking Group plc on 16 January 2009. As a result, HM Treasury became a related party of the Bank from 13 January 2009. During the period between 13 January 2009 and 30 June 2009 Lloyds Banking Group plc entered into an Open Offer Agreement, a Pre-Accession Commitments Deed and a Lending Commitments Deed with the UK Government. Details of each of these agreements are summarised on pages 7 to 9 of the Lloyds Banking Group's annual report on Form 20-F for the year ended 31 December 2008. The Open Offer Agreement was amended on 18 May 2009 to allow a compensatory element to be provided to non-accepting shareholders. Lloyds Banking Group plc also amended the Registration Rights agreement with HM Treasury with effect from 10 June 2009 and entered into a Re-sale Rights Agreement with HM Treasury with effect from 11 June 2009, in both cases as required under the Open Offer Agreement. There were no other material transactions between the Lloyds Banking Group and the UK Government during the period between 13 January 2009 and 30 June 2009 that were not made in the ordinary course of business or that are unusual in their nature or conditions.

17. Capital transactions

During the period, the Bank was involved in a number of transactions which were designed to improve the overall capital structure of the Lloyds Banking Group. The Bank exchanged some of its innovative tier 1 capital and simultaneously issued preference shares to Lloyds Banking Group plc, and exchanged some of its upper tier 2 debt instruments for non-capital debt securities.

The profits generated by these transactions increased the Group's core tier 1 capital as new security issuances are required to be recognised at the fair value of the securities issued, while the redemption of securities results in the derecognition of instruments carried at amortised cost.

The accounting carrying value of the securities exchanged was greater than the fair value of the securities issued, and, as a result, the transactions generated a profit of £1,775 million, which was recognised by the Group in the period.

The impact of the above transactions on capital was to increase the Group's core tier 1 capital by £1,775 million, its tier 1 capital by £916 million and reduce its total capital by £1,751 million.

18. Ultimate parent undertaking

The Bank's ultimate parent undertaking and controlling party is Lloyds Banking Group plc (formerly Lloyds TSB Group plc) which is incorporated in Scotland. Lloyds Banking Group plc will produce consolidated accounts for the year ended 31 December 2009. Copies of the annual report and accounts of Lloyds Banking Group plc and Lloyds TSB Bank plc for the year ended 31 December 2008 may be obtained from the Company Secretary's Department, Lloyds Banking Group, 25 Gresham Street, London EC2V 7HN or downloaded via www.lloydsbankinggroup.com.

19. Other information

The financial information included in this news release does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2008 were approved by the directors on 26 February 2009 and was delivered to the Registrar of Companies following publication on 28 March 2009. The auditors' report on these accounts was unqualified and did not include a statement under sections 237(2) (accounting records or returns inadequate or accounts not agreeing with records and returns) or 237(3) (failure to obtain necessary information and explanations) of the Companies Act 1985.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors listed below (being all the directors of Lloyds TSB Bank plc) confirm that to the best of their knowledge this condensed set of financial statements has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union, and that the Interim Management Report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the six months ended 30 June 2009 and their impact on the condensed interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the six months ended 30 June 2009 and any material changes in the related party transactions described in the last annual report.

Signed on behalf of the board by

J Eric Daniels
Chief Executive
4 August 2009

Lloyds TSB Bank plc board of directors:

Sir Victor Blank (Chairman)
J Eric Daniels (Group Chief Executive)
Tim JW Tookey (Group Finance Director)
Wolfgang CG Berndt
Philip N Green
Sir Julian Horn-Smith
Archie G Kane
Lord Leitch
Sir David Manning
Carolyn J McCall
T Timothy Ryan, Jr
Martin A Scicluna
G Truett Tate
Anthony Watson
Helen A Weir

INDEPENDENT REVIEW REPORT TO LLOYDS TSB BANK PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the Interim Management Report for the six months ended 30 June 2009, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and related notes with the exception of the risk-weighted asset and capital ratio information in note 15. We have read the other information contained in the Interim Management Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The Interim Management Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Management Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority. As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this Interim Management Report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the Interim Management Report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT REVIEW REPORT TO LLOYDS TSB BANK PLC (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Management Report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
Edinburgh
4 August 2009

Notes:

- a) The maintenance and integrity of the Lloyds Banking Group website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website, and
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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