Lloyds TSB Group plc

Results for half-year to 30 June 2005

Lloyds TSB

PRESENTATION OF RESULTS

Up to 31 December 2004 the Group prepared its financial statements in accordance with UK Generally Accepted Accounting Principles (UK GAAP). On 1 January 2005 the Group implemented International Financial Reporting Standards (IFRS). In this document the 2004 comparative financial information has been restated to reflect the adoption of those IFRS standards which are required to be applied retrospectively, but has not been restated to include the additional impacts arising from first time application of IAS 32 'Financial Instruments: Disclosure and Presentation', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 4 'Insurance Contracts' (including UK Financial Reporting Standard 27 'Life Assurance'), which have been implemented with effect from 1 January 2005, with the opening balance sheet at that date adjusted accordingly. Details of the impact of implementation of IFRS on comparative information were published in the Group's 'Transition to IFRS' announcement on 27 May 2005.

The impact of IFRS, and in particular the increased use of fair values, is likely to lead to greater earnings volatility. In order to provide a more comparable representation of business performance this volatility has been separately analysed for the Group's insurance and banking businesses (page 28, note 3). In addition, other IFRS related adjustments applied with effect from 1 January 2005, for which comparatives are not required to be restated (page 26, note 2), and the impact on the Group's results of businesses sold in 2004, have been separately analysed in the Group's results. A reconciliation of this 'comparable' basis of presentation to the statutory profit before tax is shown on page 1.

For certain aspects of the Group's life assurance businesses additional financial information has been provided on an 'embedded value' basis, as applied under UK GAAP in previous reporting periods.

FORWARD LOOKING STATEMENTS

This announcement contains forward looking statements with respect to the business, strategy and plans of the Lloyds TSB Group, its current goals and expectations relating to its future financial condition and performance. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. The Group's actual future results may differ materially from the results expressed or implied in these forward looking statements as a result of a variety of factors, including UK domestic and global economic and business conditions, risks concerning borrower credit quality, market related risks such as interest rate risk and exchange rate risk in its banking business and equity risk in its insurance businesses, changing demographic trends, unexpected changes to regulation or regulatory actions, changes in customer preferences, competition and other factors. Please refer to the latest Annual Report on Form 20-F filed with the US Securities and Exchange Commission for a discussion of such factors.

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PROFIT BEFORE TAX BY DIVISION

	Half-year to 30 June		Half-year to 31 December
	2005	2004	2004
	£m	£m	£m
UK Retail Banking			
Before provisions for customer redress	**830**	800	939
Provisions for customer redress	**-**	-	(100)
	830	800	839
Insurance and Investments			
Before provisions for customer redress	**400**	376	423
Provisions for customer redress	**-**	-	(12)
	400	376	411
Wholesale and International Banking	**662**	582	671
Central group items (page 32, note 6)	**(169)**	(153)	(197)
Profit before tax – comparable basis	**1,723**	1,605	1,724
Volatility (page 28, note 3)			
- Banking	**(73)**	-	-
- Insurance	**104**	(65)	210
- Policyholder tax	**46**	5	(3)
Other IFRS adjustments applied from 1 January 2005 (page 26, note 2)	**(124)**	-	-
Loss on sale of businesses (page 40, note 19)	**-**	(13)	(8)
Trading results of discontinued operations	**-**	36	4
Profit before tax	**1,676**	1,568	1,927

ASSETS BY DIVISION

	30 June 2005	1 January 2005
	£m	£m
UK Retail Banking	**99,797**	96,472
Insurance and Investments	**77,071**	69,864
Wholesale and International Banking	**126,568**	123,826
Central group items	**1,776**	1,835
Total assets	**305,212**	291,997

PERFORMANCE HIGHLIGHTS

Unless otherwise stated, throughout this document our analysis compares the half-year to 30 June 2005 to the corresponding period in 2004.

Key achievements - comparable basis

- The Group has continued to deliver earnings growth in all divisions.
- Considerable progress in improving returns; increases in both economic profit and post-tax return on average shareholders' equity.
- Good franchise growth with customer lending during the half up by 4 per cent to £167.6 billion and customer deposits up by 3 per cent to £130.6 billion.
- Strong increase in retail banking quality customer recruitment. Good levels of customer balance growth in many product areas.
- Substantial increase in life assurance new business weighted sales and market share. Increased new business contribution and margin, on an embedded value basis.
- Good progress in delivering the strategy to build an integrated Wholesale bank. 25 per cent increase in Corporate Markets profit before tax, and 27 per cent increase in Business Banking profit before tax.
- Costs remain firmly under control. Income growth exceeded cost growth in each division and at Group level.
- Overall credit quality remains satisfactory.
- Capital ratios remain robust.
- Interim dividend maintained at 10.7p per share.

Results - comparable basis

- Profit before tax increased by £118 million, or 7 per cent, to £1,723 million.
- Earnings per share increased by 10 per cent to 22.1p.
- Economic profit increased by 11 per cent to £728 million.
- Post-tax return on average shareholders' equity increased to 21.9 per cent, from 21.5 per cent.
- Post-tax return on average risk-weighted assets decreased from 1.92 per cent to 1.88 per cent.

Results - statutory

- Profit before tax increased by £108 million, or 7 per cent, to £1,676 million.
- Profit attributable to equity shareholders increased by 9 per cent to £1,192 million.
- Earnings per share increased by 9 per cent to 21.3p.
- Post-tax return on average shareholders' equity increased to 24.7 per cent.
- Total capital ratio 9.6 per cent, tier 1 capital ratio 7.8 per cent.

SUMMARY OF RESULTS

	Half-year to 30 June 2005 £m	Half-year to 30 June 2004 £m	Increase (Decrease) %	Half-year to 31 December 2004 £m
Results – comparable basis (page 26, note 2)				
Total income, net of insurance claims	**4,831**	4,610	5	4,888
Operating expenses	**2,597**	2,529	3	2,737
Trading surplus	**2,234**	2,081	7	2,151
Impairment losses on loans and advances	**511**	476	7	427
Profit before tax	**1,723**	1,605	7	1,724
Economic profit (page 38, note 16)	**728**	655	11	694
Earnings per share (pence) (page 39, note 17)	**22.1**	20.1	10	21.0
Post-tax return on average shareholders' equity (%)	**21.9**	21.5		22.0
Post-tax return on average risk-weighted assets (%)	**1.88**	1.92		1.91
Results – statutory				
Total income, net of insurance claims	**4,925**	4,572	8	5,107
Operating expenses	**2,579**	2,549	1	2,748
Trading surplus	**2,346**	2,023	16	2,359
Impairment losses on loans and advances	**670**	442	52	424
Profit before tax	**1,676**	1,568	7	1,927
Profit attributable to equity shareholders	**1,192**	1,094	9	1,298
Economic profit (page 38, note 16)	**757**	623	22	816
Earnings per share (pence) (page 39, note 17)	**21.3**	19.6	9	23.2
Post-tax return on average shareholders' equity (%)	**24.7**	20.9		24.2
Shareholder value				
Closing market price per share (period-end)	**473p**	431.75p		473p
Total market value of shareholders' equity	**£26.5bn**	£24.2bn		£26.5bn
Proposed dividend per share (page 42, note 21)	**10.7p**	10.7p		23.5p

	30 June 2005 £m	1 January 2005 £m	Increase (Decrease) %
Balance sheet			
Shareholders' equity	**9,475**	9,572	(1)
Net assets per share (pence)	**167**	169	(1)
Total assets	**305,212**	291,997	5
Loans and advances to customers	**167,583**	161,162	4
Customer deposits	**130,550**	126,349	3
Risk asset ratios	**%**	%	
Total capital	**9.6**	10.1	
Tier 1 capital	**7.8**	8.2	

GROUP CHIEF EXECUTIVE'S STATEMENT

During the first half of 2005, the Group's profit before tax, on a comparable basis, rose by 7 per cent to £1,723 million, despite entering a more challenging period in the economic cycle. The increase reflects the continued successful unfolding of our organic growth strategy across each of our three operating divisions, as we build deep, long-lasting relationships within each of our franchises. In addition to continued earnings momentum, the Group also improved its return on equity and economic profit.

At the end of 2004, we set out three strategic priorities to guide our future growth:

- to materially **deepen customer relationships**
- to **improve our efficiency**
- to continue to **enhance the Group's capabilities and processes** to support faster growth.

We have continued to make good progress on each of these management priorities and the key achievements over the last six months, which underpin our results, are summarised below.

To materially deepen customer relationships

In the **Retail Bank**, we saw a 4 per cent improvement in profit before tax, on a comparable basis, and we delivered positive jaws with 5 per cent income growth exceeding cost growth of 2 per cent. We have continued to build on our 'local markets' programme to bring us closer to the customer and we now have much of the necessary infrastructure in place. Our early results under this programme have seen us progress against a number of the key drivers to building stronger relationships such as enhancing the use of customer data. During the second half of 2005, we will continue to develop the framework by increasing sales capacity and effectiveness.

We continue to see improved results in terms of customer service, with our customer satisfaction ratings reaching an all time high. Our quality management programme, which is helping to continuously improve our processing efficiency, has played a key role in improving our cost position.

Our improved customer satisfaction scores also helped to drive good levels of new quality customer recruitment. We have maintained strong flows of new business and are continuing to meet our customers' broader range of needs in key areas such as consumer lending, mortgages, savings and insurance where we have seen good customer balance growth. Our market shares in these key product lines have held steady, despite the highly competitive environment in which we operate. Our asset quality remains satisfactory.

In **Wholesale and International Banking**, our core businesses had another good half-year and the division delivered a 14 per cent improvement in profit before tax, on a comparable basis. We have successfully begun to implement our new strategies in both Business Banking and the Corporate Markets franchise, which will play an important role in our future growth. Whilst the investment in these strategies led to an increase in costs, we continued to deliver positive jaws with growth in income of 6 per cent and costs growth held to 5 per cent.

In Business Banking, we have seen strong franchise growth and, in addition to winning a greater share of the 'switchers' market, we maintained our strong position in business start-ups with a market share of 20 per cent. The growth in recruitment was accompanied by good growth in both customer lending and deposits, as customers continued to place more of their business with us.

Our Corporate Markets franchise enjoyed another strong half, with a 25 per cent improvement in profits underpinned by a 26 per cent improvement in the cross-sales of products as our relationship development programmes continue to take hold. Asset quality remains strong, with impairment losses falling year on year. We have made continued investment in the Corporate Markets franchise, and this has been rewarded both in terms of the stronger business levels as well as external recognition. In particular, we were delighted to receive the CBI Best Corporate Bank Award 2005. We will continue to develop the businesses, to strengthen our capabilities and services that will allow us to provide a broader range of solutions for our customers and meet their needs.

In **Insurance and Investments** our profit before tax, on a comparable basis, increased by 6 per cent, underpinned by an improvement in our market share in life, pensions and investments which rose from 4.9 per cent to 6.2 per cent in the first quarter of 2005. Our life and pensions new business margin also improved. In our life, pensions and OEIC businesses, on an embedded value basis, we saw a 7 per cent profit improvement underpinned by a rise in new business contribution of 32 per cent, as we continue to increase our focus on the more profitable, more capital efficient business lines.

We continue to make progress in our bancassurance programme, with a 4 per cent increase in sales, notwithstanding the slowdown in the growth of mortgage related protection business. Sales of OEICs rose by 29 per cent following the launch last year of our new simplified product range. Whilst we still have work to do to continue to improve our overall performance, we have a clear strategy to deliver profitable growth in this business.

We have seen continued strong growth in our IFA business, with a 41 per cent improvement in weighted sales in the first half, underpinned by our product and service developments in pensions and investments. This improved performance led to an estimated market share of 7.1 per cent in the first quarter of this year, compared with 5.0 per cent in the first quarter of 2004, cementing Scottish Widows' success in this market.

Scottish Widows remains strongly capitalised and in addition to the payment of a £200 million dividend to the Group in March 2005, we expect Scottish Widows to make a further significant repatriation of capital to the Group in the second half of the year as we improve our capital efficiency.

Our General Insurance business delivered another robust half, with profits up 8 per cent, despite a slowdown in the growth of our retail lending businesses. The results reflect successful investment in the direct channels, our claims processes and the claims supply chain.

To improve our efficiency

The Group cost:income ratio, on a comparable basis, improved to 53.8 per cent from 54.9 per cent in the first half of 2004, reflecting the fact that we have once again delivered positive jaws. The Group has maintained its firm cost control discipline and the growth in expenses was held to 3 per cent in the first half of the year. We believe there are good opportunities to drive further improvements in our cost position and we will be addressing this through the continued application of our quality programme as well as specific programmes in areas such as procurement and IT simplification.

To continue to enhance the Group's capabilities and processes to support faster growth

We believe it is necessary for us to enhance our framework of skills and competencies to allow us to drive higher rates of growth in a safe and sustainable manner. In Finance, we are, for example, further embedding the use of economic profit management disciplines to improve our pricing decisions and hence our returns. In terms of Risk, we continue to enhance the risk governance framework throughout the organisation which is leading to a more detailed assessment of risk across the business portfolio and greater clarity around the risk/reward trade-offs.

We are committed to building a high performance organisation. In addition to further strengthening our executive management team, we have put in place integrated programmes to further raise our performance and to enhance our capabilities to execute effectively.

Summary

We have a strong franchise and, looking forward, we remain committed to the execution of our organic growth strategy, based on building ever deeper relationships with our customers. We are investing in our business unit strategies, which will provide the necessary platform to sustain our future growth. Our staff are committed to the delivery of our plans and to serving the needs of our customers. Our capital position remains robust and we continue to expect to be beneficiaries of Basel II. Our asset quality is satisfactory and our broadly based franchise means that we are well positioned to deliver a good trading performance in the second half of 2005 and beyond.

J Eric Daniels
Group Chief Executive

GROUP FINANCE DIRECTOR'S REVIEW OF FINANCIAL PERFORMANCE

Since 1 January 2005, the Group has been using IFRS for financial reporting. Although IFRS significantly changes the timing of earnings recognition in financial results, it is important to note that it has no impact on our business fundamentals and cash flows, the development of our organic growth strategies, or our capital management policies.

Full details of the retrospective impact of the Group's implementation of IFRS were published in our 'Transition to IFRS' announcement on 27 May 2005. The increased use in IFRS of fair values has led to greater volatility in the earnings of the Group. In order to provide a more comparable representation of our business performance this earnings volatility, together with other IFRS related adjustments applied with effect from 1 January 2005 and the impact on the Group's results of businesses sold in 2004, have been separately analysed to provide a comparable basis of presentation.

In the first half of 2005 statutory profit before tax was £1,676 million, an increase of £108 million, or 7 per cent, compared to £1,568 million in the first half of 2004. Profit attributable to equity shareholders increased by £98 million, or 9 per cent, to £1,192 million and earnings per share increased by 9 per cent to 21.3p.

On a comparable basis, as a result of earnings growth in all divisions, profit before tax increased by £118 million, or 7 per cent, to £1,723 million. Revenue growth of 5 per cent exceeded cost growth of 3 per cent. Earnings per share increased by 10 per cent to 22.1p and economic profit increased by 11 per cent to £728 million. The post-tax return on average shareholders' equity was 21.9 per cent.

Our strategy to deepen customer relationships has led to an increase in retail lending, particularly in mortgages, credit cards and personal loans, and is reflected in a 4 per cent increase in loans and advances to customers to £168 billion during the last six months. Total assets increased by 5 per cent to £305 billion. Over the same period, customer deposits increased by £4 billion, or 3 per cent, to £131 billion, largely as a result of strong growth in current account credit balances.

Group net interest income, on a comparable basis, increased by £151 million, or 6 per cent, compared with the first half of last year. Good levels of consumer lending growth led to increases of £2.0 billion in average personal lending and credit card balances and £7.7 billion in average mortgage balances, and customer lending growth in our Business Banking and Corporate Markets franchises increased average interest-earning assets by £4.8 billion.

The net interest margin from our banking businesses (page 32, note 7) decreased from 2.89 per cent in the first half of 2004 to 2.75 per cent in the first half of 2005. However, much of this decline took place during the second half of 2004. As anticipated, the rate of margin erosion has slowed significantly with only a 5 basis point reduction during the first half of 2005. Much of this erosion has been caused by the impact of lower earnings on the Group's capital and other interest free liabilities and, excluding this funding impact, the margin was broadly stable during the first half of 2005.

Other income, net of insurance claims, increased by £70 million to £2,174 million (page 33, note 8). Fees and commissions receivable, on a comparable basis, increased by 13 per cent to £1,623 million as a result of higher income from the strong volume growth in credit and debit card services, higher insurance broking commissions, and an increase in fees from large corporate business and asset based lending, as a result of growing customer transaction volumes.

Operating expenses continued to be tightly controlled and on a comparable basis increased by only 3 per cent to £2,597 million (page 34, note 10). Significant improvements continue to be made in processing and operational efficiency and we have continued to expand our programme of offshoring a number of our processing and back office operations to India. As a result of this constant focus on day-to-day operating cost control, the cost:income ratio improved to 53.8 per cent, from 54.9 per cent in the first half of 2004.

Overall asset quality remains satisfactory. On a comparable basis, impairment losses on loans and advances increased by 7 per cent to £511 million. A substantial reduction in impairment losses in the corporate franchise was offset by a 21 per cent rise in the retail banking business, resulting from a combination of volume related asset growth in personal loan and credit card lending, the absence of a provision release in the mortgage business which totalled £12 million in the first half of 2004, and an increase in the number of personal customers experiencing repayment difficulties. Most of our new retail lending during the half has been to existing customers where we believe we have a better understanding of an individual customer's total financial position. On a comparable basis, our impairment charge expressed as a percentage of average lending improved to 0.63 per cent, compared to 0.68 per cent in the first half of 2004 (page 35, note 12). On a statutory basis, impaired assets totalled £3,894 million, compared with £3,515 million at 1 January 2005, representing 2.3 per cent of total lending, up from 2.1 per cent at 1 January 2005.

Scottish Widows continues to be one of the most strongly capitalised life assurance companies in the UK. At the end of December 2004, the working capital ratio of the Scottish Widows Long-Term Fund was 19.0 per cent (page 41, note 20) and this improved to an estimated 19.5 per cent at the end of June 2005. The required risk capital margin was covered over 9 times. In March 2005, Scottish Widows paid a 2004 dividend of £200 million to Lloyds TSB reflecting the start of an expected regular dividend stream. We are continuing to examine opportunities to improve our capital efficiency and have work in progress that we believe will allow Scottish Widows, without compromising its strong capital position, to repatriate further capital to the Group, in excess of £500 million in the second half of 2005, in addition to its annual dividend.

Our capital position remains robust. At the end of June 2005, the total capital ratio was 9.6 per cent and the tier 1 capital ratio was 7.8 per cent. During the half-year, risk-weighted assets increased by 6 per cent to £140 billion, reflecting good levels of growth in consumer lending and mortgages and strong growth in our Corporate Markets businesses. We continue to plan for risk-weighted asset growth of mid-to-high single digits over the next few years, and expected profit retentions remain sufficient to support this level of risk-weighted asset growth within our current capital management policy. The Board has decided to maintain the interim dividend at 10.7p per share.

Helen A Weir
Group Finance Director

SEGMENTAL ANALYSIS

Half-year to 30 June 2005 **Comparable basis**	**UK Retail Banking £m**	**General insurance £m**	**Life, pensions, OEICs and asset manage-ment £m**	**Insurance and Investments £m**	**Wholesale and International Banking £m**	**Central group items £m**	**Total £m**
Net interest income	**1,612**	**19**	**186**	**205**	**1,035**	**(195)**	**2,657**
Other income (page 30, note 4)	**908**	**261**	**6,796**	**7,057**	**774**	**4**	**8,743**
Total income (page 30, note 4)	**2,520**	**280**	**6,982**	**7,262**	**1,809**	**(191)**	**11,400**
Insurance claims (page 30, note 4)	**-**	**(108)**	**(6,461)**	**(6,569)**	**-**	**-**	**(6,569)**
Total income, net of insurance claims	**2,520**	**172**	**521**	**693**	**1,809**	**(191)**	**4,831**
Operating expenses	**(1,274)**	**(78)**	**(215)**	**(293)**	**(1,052)**	**22**	**(2,597)**
Trading surplus (deficit)	**1,246**	**94**	**306**	**400**	**757**	**(169)**	**2,234**
Impairment losses on loans and advances	**(416)**	**-**	**-**	**-**	**(95)**	**-**	**(511)**
Profit (loss) before tax*	**830**	**94**	**306**	**400**	**662**	**(169)**	**1,723**
Volatility							
- Banking	**-**	**-**	**-**	**-**	**-**	**(73)**	**(73)**
- Insurance	**-**	**7**	**97**	**104**	**-**	**-**	**104**
- Policyholder tax	**-**	**-**	**46**	**46**	**-**	**-**	**46**
Other IFRS adjustments applied from 1 January 2005	**(134)**	**-**	**(2)**	**(2)**	**33**	**(21)**	**(124)**
Profit (loss) before tax	**696**	**101**	**447**	**548**	**695**	**(263)**	**1,676**

Half-year to 30 June 2004 **Comparable basis**	UK Retail Banking £m	General insurance £m	Life, pensions, OEICs and asset manage-ment £m	Insurance and Investments £m	Wholesale and International Banking £m	Central group items £m	Total £m
Net interest income	1,602	26	108	134	971	(201)	2,506
Other income (page 30, note 4)	794	248	3,369	3,617	741	26	5,178
Total income (page 30, note 4)	2,396	274	3,477	3,751	1,712	(175)	7,684
Insurance claims (page 30, note 4)	-	(115)	(2,959)	(3,074)	-	-	(3,074)
Total income, net of insurance claims	2,396	159	518	677	1,712	(175)	4,610
Operating expenses	(1,252)	(72)	(229)	(301)	(998)	22	(2,529)
Trading surplus (deficit)	1,144	87	289	376	714	(153)	2,081
Impairment losses on loans and advances	(344)	-	-	-	(132)	-	(476)
Profit (loss) before tax*	800	87	289	376	582	(153)	1,605
Volatility							
- Insurance	-	(5)	(60)	(65)	-	-	(65)
- Policyholder tax	-	-	5	5	-	-	5
Loss on sale of businesses	-	-	-	-	(13)	-	(13)
Trading results of discontinued operations	-	-	-	-	36	-	36
Profit (loss) before tax	800	82	234	316	605	(153)	1,568

*comparable basis

SEGMENTAL ANALYSIS (continued)

Half-year to 31 December 2004 **Comparable basis**	UK Retail Banking £m	General insurance £m	Life, pensions, OEICs and asset manage-ment £m	Insurance and Investments £m	Wholesale and International Banking £m	Central group items £m	Total £m
Net interest income	1,626	18	131	149	1,015	(206)	2,584
Other income (page 30, note 4)	902	248	6,880	7,128	803	19	8,852
Total income (page 30, note 4)	2,528	266	7,011	7,277	1,818	(187)	11,436
Insurance claims (page 30, note 4)	-	(99)	(6,449)	(6,548)	-	-	(6,548)
Total income, net of insurance claims	2,528	167	562	729	1,818	(187)	4,888
Operating expenses	(1,357)	(82)	(239)	(321)	(1,049)	(10)	(2,737)
Trading surplus (deficit)	1,171	85	323	408	769	(197)	2,151
Impairment losses on loans and advances	(332)	-	3	3	(98)	-	(427)
Profit (loss) before tax*	839	85	326	411	671	(197)	1,724
Volatility							
- Insurance	-	13	197	210	-	-	210
- Policyholder tax	-	-	(3)	(3)	-	-	(3)
Loss on sale of businesses	-	-	-	-	(8)	-	(8)
Trading results of discontinued operations	-	-	-	-	4	-	4
Profit (loss) before tax	839	98	520	618	667	(197)	1,927

*comparable basis

DIVISIONAL PERFORMANCE

UK RETAIL BANKING

	Half-year to 30 June		Half-year to 31 December
	2005	2004	2004
Comparable basis	**£m**	£m	£m
Net interest income	**1,612**	1,602	1,626
Other income	**908**	794	902
Total income	**2,520**	2,396	2,528
Operating expenses:			
Before provisions for customer redress	**(1,274)**	(1,252)	(1,257)
Provisions for customer redress	**-**	-	(100)
	(1,274)	(1,252)	(1,357)
Trading surplus	**1,246**	1,144	1,171
Impairment losses on loans and advances	**(416)**	(344)	(332)
Profit before tax*	**830**	800	839
Profit before tax, before provisions for customer redress*	**830**	800	939
Cost:income ratio, before provisions for customer redress*	**50.6%**	52.3%	49.7%

*comparable basis

Key achievements

- Continued earnings momentum. Profit before tax, on a comparable basis, increased by 4 per cent to £830 million.
- Positive jaws continue to be delivered. Income growth of 5 per cent exceeded cost growth of 2 per cent.
- Good customer balance growth in many product areas. Over the last six months:
  - Group mortgage balances increased by 4 per cent to £83.7 billion.
  - Credit card balances increased by 3 per cent to £7.7 billion.
  - Personal loan balances increased by 4 per cent to £11.2 billion.
  - Customer deposit balances increased by 3 per cent to £68.2 billion.
- Good customer franchise growth. 22 per cent increase in quality customer current account recruitment.
- Asset quality remains satisfactory.

UK Retail Banking (continued)

Profit before tax, on a comparable basis, from UK Retail Banking increased by £30 million, or 4 per cent, to £830 million, supported by continued growth in the Group's consumer lending portfolios, higher than expected general insurance profit sharing commissions and improved fee income. Total income increased by 5 per cent whilst cost growth was 2 per cent. Other income increased by 14 per cent, and represents 36 per cent of total income, compared with 33 per cent in the first half of 2004.

In the first half of 2005, good levels of growth were achieved in all key product areas. Personal loan balances outstanding at 30 June 2005 were £11.2 billion, an increase of 11 per cent over the last twelve months and card balances totalled £7.7 billion, an increase of 8 per cent. In a slowing mortgage market, gross new mortgage lending for the Group totalled £11.8 billion, compared with £13.6 billion in the first half of 2004. Net new lending totalled £3.6 billion resulting in a market share of net new lending of 8.9 per cent, and mortgage balances outstanding increased by 10 per cent to £83.7 billion. Credit balances on current accounts and savings and investment accounts increased by 7 per cent. Income and economic profit per customer continued to improve during the half-year.

Operating expenses remained well controlled throughout the business and, as a result, increased by only £22 million, or 2 per cent, to £1,274 million compared with 5 per cent growth in income during the half-year. We have continued to rationalise back office operations to improve efficiency. Levels of customer service and satisfaction have also continued to improve.

Overall asset quality remained satisfactory. Impairment losses on loans and advances increased by £72 million, or 21 per cent, to £416 million, reflecting a combination of volume related asset growth in personal loan and credit card lending, the absence of a mortgage provision release which in the first half of 2004 totalled £12 million, and an increasing impact from customers experiencing repayment difficulties. The impairment charge as a percentage of average lending for personal loans and overdrafts increased to 4.45 per cent, from 4.34 per cent in the first half of 2004, while the charge in the credit card portfolio increased to 3.74 per cent, from 3.51 per cent in the first half of 2004. In the mortgages business, the Group continued to experience a low level of losses, however the absence of a provision release led to an increase in the mortgage impairment charge to £6 million. Overall, the provisions charge as a percentage of average lending, on a comparable basis, was 0.87 per cent, compared to 0.79 per cent in the first half of 2004.

Cheltenham & Gloucester (C&G) continues to focus on prime lending market segments. The average indexed loan-to-value ratio on the C&G mortgage portfolio was 40 per cent (31 December 2004: 41 per cent), and the average loan-to-value ratio for C&G new mortgages and further advances written during the first half of 2005 was 64 per cent (2004: 62 per cent). At 30 June 2005, 85 per cent of C&G mortgage balances had an indexed loan-to-value ratio of less than 80 per cent (31 December 2004: 88 per cent) and only 1 per cent of balances had an indexed loan-to-value ratio in excess of 95 per cent (31 December 2004: 0.3 per cent).

UK Retail Banking (continued)

Within personal loans, key initiatives have been the increased use of behavioural and risk-based pricing, and leveraging our customer insight capabilities to enable the Group to deliver more competitive pricing to better quality customers within our existing customer base. 99 per cent of new personal loans and 76 per cent of new credit cards sold during the first half of 2005 were to existing customers, where the Group has a better understanding of an individual customer's total financial position. The retail bank has also continued to avoid sub-prime lending. Dynamic delinquency measures, on a rolling 12 month basis, remain in line with our expectations given the slowdown in consumer spending.

Customers are increasingly choosing to buy through direct channels and continued investment in our direct channel capabilities has supported good levels of business growth. Our internet bank now has 3.4 million registered users and, in the first half of 2005, over 600,000 product sales were achieved through the internet, an increase of 24 per cent compared to the first half of 2004. Over 218 million transactions were processed through internet banking, an increase of 36 per cent on the first half of 2004. Sales through direct channels now represent almost half of total sales.

Lloyds TSB remains a leader in the added value current account market, with over 4 million customers. Quality customer current account recruitment increased by 22 per cent, compared with the first half of 2004, whilst customer attrition levels were flat.

INSURANCE AND INVESTMENTS

	Half-year to 30 June		Half-year to 31 December
	2005	2004	2004
Comparable basis	**£m**	£m	£m
Net interest income	**205**	134	149
Other income (page 30, note 4)	**7,057**	3,617	7,128
Total income (page 30, note 4)	**7,262**	3,751	7,277
Insurance claims (page 30, note 4)	**(6,569)**	(3,074)	(6,548)
Total income, net of insurance claims	**693**	677	729
Operating expenses	**(293)**	(301)	(321)
Trading surplus	**400**	376	408
Impairment losses on loans and advances	**-**	-	3
Profit before tax*	**400**	376	411
Profit before tax analysis			
Life, pensions and OEICs	**298**	287	320
General insurance	**94**	87	85
Scottish Widows Investment Partnership	**8**	2	6
Profit before tax*	**400**	376	411
Embedded value basis†			
Life and pensions			
New business contribution	**98**	74	114
Existing business	**101**	121	76
Investment earnings - normalised	**92**	80	87
Profit before tax	**291**	275	277
OEICs			
Profit before tax	**23**	19	34
Profit before tax (life, pensions and OEICs)	**314**	294	311
New business margin (life and pensions)	**25.8%**	24.3%	32.4%

*comparable basis † using the Group's 2004 UK GAAP reporting basis

Key achievements

- Improved profit performance. Profit before tax, on a comparable basis, increased by 6 per cent to £400 million.
- On an embedded value basis, life, pensions and OEICs profit before tax increased by 7 per cent to £314 million.
- Strong sales performance. 25 per cent increase in Scottish Widows' new business weighted sales, increasing the Group's overall market share from 4.9 per cent to 6.2 per cent.
- Improved profitability. New business contribution in Scottish Widows', on an embedded value basis, increased by 32 per cent. Life and pensions new business margin increased to 25.8 per cent.
- Good progress with Lloyds TSB Insurance's strategy to develop its manufacturing business and increase focus on direct channels. Direct sales increased by 19 per cent.
- Strong capital position maintained.

Insurance and Investments (continued)

Profit before tax, on a comparable basis, increased by 6 per cent to £400 million. Profit before tax from our life, pensions and OEIC businesses increased by £11 million, or 4 per cent, to £298 million. The Group's strategy to improve its returns by focusing on more profitable, less capital intensive, business whilst constantly seeking to improve process and distribution efficiency has led to a 32 per cent increase in new business contribution, on an embedded value basis, to £98 million. As a result of this improved capital efficiency, strong sales of pensions and single premium investments, and improved returns from less capital efficient products such as stakeholder pensions, the life and pensions new business margin increased to 25.8 per cent, from 24.3 per cent in the first half of 2004.

Overall, weighted sales in the first half of 2005 increased by 25 per cent to £443.1 million and as a result the Group's life, pensions and investments market share in the first quarter increased significantly to an estimated 6.2 per cent, compared with 4.9 per cent in the first quarter of 2004. IFA sales grew 41 per cent to £280.0 million and our estimated market share of the IFA market improved to 7.1 per cent, from 5.0 per cent in the first quarter of 2004. IFA sales benefited particularly from improved product and service offerings for pensions, and savings and investments. Bancassurance sales were 4 per cent higher at £128.2 million, as a 29 per cent increase in weighted sales of OEICs through the branch network and Lloyds TSB private banking clients was offset by lower sales of protection products, largely reflecting the slowdown in the rate of growth in mortgage lending. Our estimated market share through the bancassurance and direct channels increased to 4.9 per cent, from 4.7 per cent in the first quarter of 2004.

	Half-year to 30 June		Half-year to 31 December
	2005	2004	2004
	£m	£m	£m
Weighted sales (regular + 1/10 single)			
Life and pensions	**379.3**	305.0	351.7
OEICs	**63.8**	49.6	36.8
Life, pensions and OEICs	**443.1**	354.6	388.5
Bancassurance	**128.2**	123.3	118.3
Independent financial advisers	**280.0**	198.3	233.3
Direct	**34.8**	32.7	36.8
Other	**0.1**	0.3	0.1
Life, pensions and OEICs	**443.1**	354.6	388.5
Group funds under management	**£bn**	£bn	£bn
Scottish Widows Investment Partnership	**87**	77	82
UK Wealth Management	**13**	11	13
International	**14**	14	13
	114	102	108

Insurance and Investments (continued)

Pre-tax profit, on a comparable basis, from Scottish Widows Investment Partnership (SWIP) increased to £8 million, compared with £2 million in the first half of 2004, reflecting improved market performance and increased revenues from new business. SWIP won £2.6 billion of gross new business in the first half of 2005, an increase of 73 per cent on the first half of 2004, and its assets under management increased by 13 per cent to £87 billion, compared with the first half of 2004. Overall investment performance in the first half of 2005 has continued to improve.

Insurance and Investments (continued)

General insurance

	Half-year to 30 June		Half-year to 31 December
	2005	2004	2004
	£m	£m	£m
Premium income from underwriting			
Creditor	**64**	55	59
Home	**220**	218	224
Health	**8**	16	11
Reinsurance premiums	**(15)**	(13)	(16)
	277	276	278
Commissions from insurance broking			
Creditor	**229**	203	239
Home	**22**	21	24
Health	**8**	10	10
Other	**105**	57	108
	364	291	381
Distribution commissions paid to banking businesses	**370**	339	403

Profit before tax, on a comparable basis, from our general insurance operations increased by £7 million, or 8 per cent, to £94 million.

In an increasingly competitive home insurance market, continued progress in improving levels of business retention and higher product margins led to an increase of £2 million in premium income from underwriting home insurance. Insurance broking commission income increased by £73 million reflecting a £26 million increase in income from creditor insurance, as improved sales through direct channels offset the impact of a slowdown in our mortgage and consumer lending growth, and a £48 million increase in other commissions, reflecting higher than expected profit sharing income.

Our strategy to increase investment in more cost efficient distribution through direct channels is starting to create a shift from face-to-face channels towards direct channels. As a result gross written premiums from new policies sold through direct channels increased by 19 per cent in the first half of 2005, reflecting strong growth in levels of new home and motor insurance business.

Claims fell by £7 million to £108 million, compared to the first half of 2004, and the claims ratio improved to 37 per cent, compared with 40 per cent in the first half of 2004, reflecting good progress in re-engineering the claims process and improvements in the cost effectiveness of the claims supply chain, as well as lower health claims as a result of the transfer of the Group’s private medical insurance business to BUPA during 2004.

WHOLESALE AND INTERNATIONAL BANKING

	Half-year to 30 June		Half-year to 31 December
	2005	2004	2004
Comparable basis	**£m**	£m	£m
Net interest income	**1,035**	971	1,015
Other income	**774**	741	803
Total income	**1,809**	1,712	1,818
Operating expenses	**(1,052)**	(998)	(1,049)
Trading surplus	**757**	714	769
Impairment losses on loans and advances	**(95)**	(132)	(98)
Profit before tax*	**662**	582	671
Cost:income ratio*	**58.2%**	58.3%	57.7%
*comparable basis			

Key achievements

- Strong profit growth. Profit before tax, on a comparable basis, increased by 14 per cent to £662 million.
- Positive jaws. Income growth of 6 per cent exceeded cost growth of 5 per cent.
- Good progress in delivering the strategy to build an integrated wholesale bank.
- 25 per cent increase in Corporate Markets profit before tax.
- Strong levels of franchise growth in Business Banking. 27 per cent growth in profit before tax.
- Asset quality remains strong.

Wholesale and International Banking profit before tax, on a comparable basis, increased by £80 million, or 14 per cent, to £662 million. Income growth of 6 per cent exceeded cost growth of 5 per cent, leading to an improvement in the cost:income ratio to 58.2 per cent. In addition to a reduction in impairment losses, there was good income growth in Corporate Markets, Business Banking and Asset Finance.

Net interest income increased by £64 million, or 7 per cent, reflecting higher income from strong growth in customer lending in Corporate Markets, Business Banking and Asset Finance and improved margins in Business Banking. Other income increased by £33 million, or 4 per cent, as strong growth in fee income in relationship businesses and higher levels of cross-selling activity within Corporate Markets, and the beneficial impact of a number of motor dealership acquisitions in Asset Finance, was partly offset by a reduction in the level of venture capital investment realisations. Costs were 5 per cent higher at £1,052 million, reflecting higher staff costs as a result of our increased investment in people, as we build up our Corporate Markets product capability and expertise, and the impact of the motor dealership acquisitions within Asset Finance.

Wholesale and International Banking (continued)

The charge for impairment losses on loans and advances decreased by £37 million to £95 million, as a result of a decrease in provisions from the corporate lending portfolio, partially offset by higher charges in the Asset Finance business.

In Corporate Markets, profit before tax grew by 25 per cent, from £319 million in the first half of 2004, to £399 million, driven by a combination of higher income and a reduction in impairment losses. Income increased by £35 million, or 5 per cent. Customer relationships continue to be deepened, and the business strategy to create an integrated regional sales structure, bringing together product specialists with relationship managers, has continued to generate positive results. Cross-selling income increased by 26 per cent, including a 28 per cent increase in Financial Markets cross-selling income to £48 million in the first half of 2005.

Profit before tax in Business Banking grew by £21 million, or 27 per cent, to £98 million reflecting good growth in customer income and tight control of costs. Customer deposits rose by 6 per cent to £11.2 billion and customer lending increased by 11 per cent to £7.7 billion. Business Banking continued to develop and grow its customer franchise, with net customer recruitment of some 10,000 during the first half of 2005, reflecting a share of 20 per cent in the start-up market. Over 8,500 customers transferred their banking arrangements to the Group from other banking providers.

Profit before tax in Asset Finance decreased by 9 per cent to £107 million, largely reflecting higher impairment losses, which offset the continued development of the motor and leisure, and contract hire businesses. In the personal and retail finance business, new business volumes have increased by some 8 per cent, and market share increased. Lloyds TSB Commercial Finance has continued to grow strongly with a 19 per cent market share, measured by client numbers, and the motor and leisure business continues to be the largest independent lender in the UK motor and leisure point of sale market with a market share of 19 per cent.

In International Banking, profit before tax decreased by £19 million, or 27 per cent, to £51 million, a key component of which was lower earnings on retained capital following the repatriation of offshore capital to the Group.

CONSOLIDATED INCOME STATEMENT - STATUTORY (unaudited)

	Half-year to 30 June 2005 £m	Half-year to 30 June 2004 £m	Half-year to 31 December 2004 £m
Interest income	**6,040**	4,907	5,800
Interest expense	**(3,289)**	(2,389)	(3,208)
Net interest income	**2,751**	2,518	2,592
Fees and commissions income	**1,474**	1,448	1,606
Fees and commissions expense	**(397)**	(424)	(420)
Net fees and commissions income	**1,077**	1,024	1,186
Net trading income	**3,536**	816	4,220
Insurance premium income	**2,210**	2,843	3,227
Other operating income	**519**	445	430
Other income	**7,342**	5,128	9,063
Total income	**10,093**	7,646	11,655
Insurance claims	**(5,168)**	(3,074)	(6,548)
Total income, net of insurance claims	**4,925**	4,572	5,107
Operating expenses			
Administrative expenses	**(2,255)**	(2,230)	(2,429)
Depreciation	**(324)**	(319)	(319)
Total operating expenses	**(2,579)**	(2,549)	(2,748)
Trading surplus	**2,346**	2,023	2,359
Impairment losses on loans and advances	**(670)**	(442)	(424)
Operating profit	**1,676**	1,581	1,935
Loss on sale of businesses	**-**	(13)	(8)
Profit before tax	**1,676**	1,568	1,927
Taxation	**(472)**	(442)	(594)
Profit for the period	**1,204**	1,126	1,333
Profit attributable to minority interests	**12**	32	35
Profit attributable to equity shareholders	**1,192**	1,094	1,298
Profit for the period	**1,204**	1,126	1,333
Basic earnings per share	**21.3p**	19.6p	23.2p
Diluted earnings per share	**21.1p**	19.5p	23.0p
Proposed dividend per share	**10.7p**	10.7p	23.5p
Proposed dividend	**£599m**	£599m	£1,315m

CONSOLIDATED BALANCE SHEET - STATUTORY (unaudited)

	30 June 2005 £m	1 January 2005 £m	31 December 2004 £m	30 June 2004 £m
Assets				
Cash and balances at central banks	**943**	1,078	1,078	892
Items in course of collection from banks	**1,716**	1,462	1,462	1,879
Treasury bills and other eligible bills			92	142
Trading securities and other financial assets at fair value through profit or loss	**57,363**	56,853		
Derivative financial instruments	**10,438**	9,263		
Loans and advances to banks	**36,090**	31,851	31,848	34,305
Loans and advances to customers	**167,583**	161,162	155,318	142,209
Debt securities			43,485	44,007
Equity shares			27,323	25,362
Available-for-sale financial assets	**13,693**	14,593		
Investment property	**3,906**	3,776	3,776	3,501
Interests in joint ventures	**49**	53	53	53
Goodwill	**2,472**	2,469	2,469	2,507
Value of in-force business	**2,016**	1,890	2,913	2,955
Intangible assets	**25**	28	28	43
Fixed assets	**4,185**	4,180	4,180	4,062
Other assets	**4,733**	3,339	8,960	8,370
Total assets	**305,212**	291,997	282,985	270,287
Equity and liabilities				
Deposits from banks	**33,946**	39,723	39,723	37,569
Customer accounts	**130,550**	126,349	119,811	116,357
Items in course of transmission to banks	**725**	631	631	765
Derivative financial instruments and other trading liabilities	**10,467**	10,334		
Liabilities to customers under investment contracts	**19,049**	16,361		
Debt securities in issue	**35,810**	28,728	28,770	28,564
Insurance contract liabilities	**37,594**	36,725	52,289	49,349
Unallocated surplus within insurance businesses	**524**	426	1,362	410
Other liabilities	**11,107**	8,496	14,866	13,171
Retirement benefit obligations	**3,010**	3,075	3,075	3,116
Deferred tax liabilities	**222**	15	214	12
Other provisions for liabilities and charges	**315**	270	211	153
Subordinated liabilities	**12,067**	11,211	10,252	9,783
Total liabilities	**295,386**	282,344	271,204	259,249
Equity				
Share capital	**1,400**	1,399	1,419	1,419
Share premium account	**1,162**	1,145	1,145	1,144
Other reserves	**372**	371	343	343
Retained profits	**6,541**	6,657	8,243	7,512
Shareholders' equity	**9,475**	9,572	11,150	10,418
Minority interests	**351**	81	631	620
Total equity	**9,826**	9,653	11,781	11,038
Total equity and liabilities	**305,212**	291,997	282,985	270,287

CONDENSED CONSOLIDATED CASH FLOW STATEMENT - STATUTORY (unaudited)

	Half-year to 30 June 2005 £m	Half-year to 30 June 2004 £m	Half-year to 31 December 2004 £m
Net cash from operating activities	**1,108**	(176)	2,218
Cash flows from investing activities			
Purchase of fixed asset investments		(6,113)	(3,975)
Proceeds from sale and maturity of fixed asset investments		6,161	3,571
Purchase of available-for-sale investments	**(4,528)**		
Proceeds from sale and maturity of available-for-sale investments	**5,859**		
Purchase of fixed assets	**(645)**	(735)	(830)
Proceeds from sale of fixed assets	**360**	391	307
Acquisition of businesses, net of cash acquired	**(23)**	(9)	(7)
Disposal of businesses, net of cash disposed	**-**	17	(42)
Net cash generated by (used in) investing activities	**1,023**	(288)	(976)
Cash flows from financing activities			
Dividends paid to equity shareholders	**(1,315)**	(1,314)	(599)
Dividends paid to minority interests	**(16)**	(31)	(37)
Proceeds from issue of subordinated liabilities	**802**	-	699
Proceeds from issue of ordinary share capital and transactions in own shares held in respect of employee share schemes	**18**	10	1
Repayment of subordinated liabilities (loan capital)	**-**	(500)	(264)
Minority investment in subsidiaries	**274**	-	-
Repayment of minority investment in subsidiaries	**-**	(148)	(3)
Net cash used in financing activities	**(237)**	(1,983)	(203)
Change in cash and cash equivalents	**1,894**	(2,447)	1,039
Cash and cash equivalents at beginning of period	**3,555**	4,963	2,516
Cash and cash equivalents at end of period	**5,449**	2,516	3,555

Cash and cash equivalents comprise cash and balances at central banks (excluding mandatory deposits) and amounts due from banks repayable on demand, excluding balances held in the long-term insurance and investment funds.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - STATUTORY (unaudited)

	Attributable to equity shareholders				
	Share capital and premium £m	Other reserves £m	Retained profits £m	Minority interests £m	Total £m
Balance at 1 January 2004	**2,554**	**343**	**7,747**	**782**	**11,426**
Currency translation differences	-	-	(15)	(15)	(30)
Profit for the period	-	-	1,094	32	1,126
Total recognised income for the period	-	-	1,079	17	1,096
Dividends	-	-	(1,314)	(31)	(1,345)
Purchase/sale of treasury shares	-	-	(5)	-	(5)
Employee share option schemes:					
- value of employee services	-	-	5	-	5
- proceeds from shares issued	9	-	-	-	9
Changes in minority interests	-	-	-	(148)	(148)
Balance at 30 June 2004	**2,563**	**343**	**7,512**	**620**	**11,038**
Currency translation differences	-	-	3	16	19
Profit for the period	-	-	1,298	35	1,333
Total recognised income for the period	-	-	1,301	51	1,352
Dividends	-	-	(599)	(37)	(636)
Purchase/sale of treasury shares	-	-	15	-	15
Employee share option schemes:					
- value of employee services	-	-	14	-	14
- proceeds from shares issued	1	-	-	-	1
Changes in minority interests	-	-	-	(3)	(3)
Balance at 31 December 2004	**2,564**	**343**	**8,243**	**631**	**11,781**
Adjustments on transition to IAS 32, IAS 39 and IFRS 4	(20)	28	(1,586)	(550)	(2,128)
Restated balance at 1 January 2005	**2,544**	**371**	**6,657**	**81**	**9,653**
Movement in available-for-sale investments, net of tax	-	1	-	-	1
Currency translation differences	-	-	14	-	14
Net income recognised directly in equity	-	1	14	-	15
Profit for the period	-	-	1,192	12	1,204
Total recognised income for the period	-	1	1,206	12	1,219
Dividends	-	-	(1,315)	(16)	(1,331)
Purchase/sale of treasury shares	-	-	(19)	-	(19)
Employee share option schemes:					
- value of employee services	-	-	12	-	12
- proceeds from shares issued	18	-	-	-	18
Changes in minority interests	-	-	-	274	274
Balance at 30 June 2005	**2,562**	**372**	**6,541**	**351**	**9,826**

SEGMENTAL ANALYSIS - STATUTORY (unaudited)

Half-year to 30 June 2005	**UK Retail Banking £m**	**General insurance £m**	**Life, pensions, OEICs and asset manage-ment £m**	**Insurance and Investments £m**	**Wholesale and International Banking £m**	**Central group items £m**	**Total £m**
Net interest income	**1,730**	**10**	**184**	**194**	**1,084**	**(257)**	**2,751**
Other income	**815**	**277**	**5,519**	**5,796**	**759**	**(28)**	**7,342**
Total income	**2,545**	**287**	**5,703**	**5,990**	**1,843**	**(285)**	**10,093**
Insurance claims	**-**	**(108)**	**(5,060)**	**(5,168)**	**-**	**-**	**(5,168)**
Total income, net of insurance claims	**2,545**	**179**	**643**	**822**	**1,843**	**(285)**	**4,925**
Operating expenses	**(1,281)**	**(78)**	**(196)**	**(274)**	**(1,046)**	**22**	**(2,579)**
Trading surplus (deficit)	**1,264**	**101**	**447**	**548**	**797**	**(263)**	**2,346**
Impairment losses on loans and advances	**(568)**	**-**	**-**	**-**	**(102)**	**-**	**(670)**
Profit (loss) before tax	**696**	**101**	**447**	**548**	**695**	**(263)**	**1,676**

Half-year to 30 June 2004	UK Retail Banking £m	General insurance £m	Life, pensions, OEICs and asset manage-ment £m	Insurance and Investments £m	Wholesale and International Banking £m	Central group items £m	Total £m
Net interest income	1,602	26	108	134	983	(201)	2,518
Other income	794	243	3,314	3,557	751	26	5,128
Total income	2,396	269	3,422	3,691	1,734	(175)	7,646
Insurance claims	-	(115)	(2,959)	(3,074)	-	-	(3,074)
Total income, net of insurance claims	2,396	154	463	617	1,734	(175)	4,572
Operating expenses	(1,252)	(72)	(229)	(301)	(1,018)	22	(2,549)
Trading surplus (deficit)	1,144	82	234	316	716	(153)	2,023
Impairment losses on loans and advances	(344)	-	-	-	(98)	-	(442)
Loss on sale of businesses	-	-	-	-	(13)	-	(13)
Profit (loss) before tax	800	82	234	316	605	(153)	1,568

SEGMENTAL ANALYSIS - STATUTORY (unaudited) (continued)

Half-year to 31 December 2004	UK Retail Banking £m	General insurance £m	Life, pensions, OEICs and asset management £m	Insurance and Investments £m	Wholesale and International Banking £m	Central group items £m	Total £m
Net interest income	1,626	18	131	149	1,023	(206)	2,592
Other income	902	261	7,074	7,335	807	19	9,063
Total income	2,528	279	7,205	7,484	1,830	(187)	11,655
Insurance claims	-	(99)	(6,449)	(6,548)	-	-	(6,548)
Total income, net of insurance claims	2,528	180	756	936	1,830	(187)	5,107
Operating expenses	(1,357)	(82)	(239)	(321)	(1,060)	(10)	(2,748)
Trading surplus (deficit)	1,171	98	517	615	770	(197)	2,359
Impairment losses on loans and advances	(332)	-	3	3	(95)	-	(424)
Loss on sale of businesses	-	-	-	-	(8)	-	(8)
Profit (loss) before tax	839	98	520	618	667	(197)	1,927

NOTES

1. Accounting policies and presentation

The accounting polices adopted by the Group in the preparation of its 2005 summarised half-year results and those which the Group currently expects to adopt in its annual accounts for the year ending 31 December 2005 are disclosed in the Group's 'Transition to IFRS' document published on 27 May 2005. Although the Group does not currently expect the amendments to IAS 19 (Actuarial Gains and Losses, Group Plans and Disclosures) or IAS 39 (The Fair Value Option) to have a material impact on the Group's results, further standards and interpretations may be issued that could be applicable for financial years ending in 2005 or later, but with the option for earlier adoption. The Group's first annual IFRS statements may, therefore, be prepared in accordance with different accounting policies to those used in this document. IFRS is also being applied in the EU and other countries for the first time and practice on which to draw in applying the standards is still developing. Consequently, the financial information in this document may change.

Comparative information for 2004 has been restated to take into account the requirements of all of the standards except for IAS 32, IAS 39 and IFRS 4 (including FRS 27). In accordance with the requirements of IFRS, these standards have been implemented with effect from 1 January 2005 and the opening balance sheet at this date has been adjusted accordingly.

The Group has reviewed the valuation of its pension schemes and has concluded that no adjustment is required at 30 June 2005. In accordance with IAS 19 the valuations will be formally updated at the year-end.

2. Impact of IFRS adjustments

From 1 January 2005, the Group has been using IFRS for financial reporting. Although the move to IFRS, together with the Group's implementation of FRS 27, significantly changes the timing of earnings recognition in financial results, it is important to note that there is no impact on business fundamentals and cash flows, the development of our organic growth strategies, or the Group's capital management policies. Full details of the impact of the Group's implementation of IFRS, including the impact of the implementation of FRS 27, were published in the Group's 'Transition to IFRS' announcement on 27 May 2005. Copies of this announcement are available on the Group's website at www.lloydstsb.com/investorrelations.

The impact of IFRS, and in particular the increased use in IFRS of fair values, is likely to lead to greater volatility in the earnings of the Group. In order to provide a more comparable representation of the business performance of the Group this volatility has been separately analysed for the Group's insurance and banking businesses (page 28, note 3). In addition, other IFRS related adjustments applied with effect from 1 January 2005, for which comparatives are not required to be restated, and the impact on the Group's results of businesses sold in 2004, have been separately analysed in the Group's results. A reconciliation of this 'comparable' basis of presentation to the Group's profit before tax is shown below.

2. Impact of IFRS adjustments (continued)

Half-year to 30 June 2005	Comparable basis £m	Volatility £m	Other IFRS related adjustments applied from 1 January 2005 £m	Statutory basis £m
Net interest income	2,657	(38)	132	2,751
Other income	8,743	115	(1,516)	7,342
Total income	11,400	77	(1,384)	10,093
Insurance claims	(6,569)	-	1,401	(5,168)
Total income, net of insurance claims	4,831	77	17	4,925
Operating expenses	(2,597)	-	18	(2,579)
Trading surplus	2,234	77	35	2,346
Impairment losses on loans and advances	(511)	-	(159)	(670)
Profit (loss) before tax	1,723	77	(124)	1,676
Taxation	(453)	(42)	23	(472)
Profit (loss) for the period	1,270	35	(101)	1,204
Profit (loss) attributable to minority interests	33	-	(21)	12
Profit (loss) attributable to equity shareholders	1,237	35	(80)	1,192
Profit (loss) for the period	1,270	35	(101)	1,204
Earnings per share	22.1p	0.6p	(1.4)p	21.3p

In the reconciliation above, no adjustment has been made to show the volatility element of policyholder income and insurance claims as, with the exception of policyholder tax, which is included in volatility, these offset each other.

The effect of the implementation of the IFRS related standards applied with effect from 1 January 2005 on the Group's earnings in the first half of 2005, excluding the impact of volatility, has been to reduce profit before tax by £124 million, or 7 per cent, and earnings per share by 6 per cent. This reduction in earnings largely reflects the application of effective interest rates, the reclassification of certain securities from equity to debt, and the impact of discounting on levels of loan loss impairment. There has also been a significant reduction in other income, with a corresponding decrease in insurance claims, as a result of the impact of IFRS 4 on the accounting treatment of certain insurance products. A reconciliation of the £124 million reduction in profit before tax is provided below:

2. Impact of IFRS adjustments (continued)

Other IFRS adjustments applied from 1 January 2005	**Impair-ment £m**	**Effective interest rate £m**	**Lloyds TSB Develop-ment Capital £m**	**Debt/equity re-classification £m**	**Other £m**	**Total £m**
Net interest income	42	127	(11)	(21)	(5)	132
Other income	-	(155)	38	-	(1,399)	(1,516)
Total income	42	(28)	27	(21)	(1,404)	(1,384)
Insurance claims	-	-	-	-	1,401	1,401
Total income, net of insurance claims	42	(28)	27	(21)	(3)	17
Operating expenses	6	-	-	-	12	18
Trading surplus	48	(28)	27	(21)	9	35
Impairment losses on loans and advances	(159)	-	-	-	-	(159)
Profit before tax	(111)	(28)	27	(21)	9	(124)

Current indications remain that the overall impact, excluding the volatility introduced by the requirements of IFRS and FRS 27, will be to reduce the Group's reported earnings per share in 2005, compared with those that would have been reported under UK GAAP, by approximately 6 per cent. Excluding goodwill amortisation, earnings per share (before volatility) is expected to reduce by approximately 7 per cent. Profit before tax (before volatility) is expected to be approximately 8 per cent lower, additionally reflecting the inclusion of coupon payments on preferred securities now being treated as an interest expense rather than minority interests. This likely reduction in earnings in 2005 is almost entirely due to changes in the timing of income and expense recognition in the Group's financial statements.

3. Volatility

Insurance volatility

Changes in market variables such as the performance of equity markets and the level of interest rates, which are beyond the control of management, can result in significant volatility in the profitability of the Group's insurance businesses. As in previous years, in order to provide a clearer representation of the underlying performance of the life and pensions and general insurance businesses, the effect of these changes is separately analysed within insurance volatility. Following the implementation of the requirements of IFRS and FRS 27, insurance volatility is principally comprised of the elements described below.

The Group's insurance businesses have substantial holdings of investments which are accounted for at fair value with changes being reflected within the income statement. The difference between the actual return on these investments and the expected return based upon economic assumptions made at the beginning of the year is included within insurance volatility. In addition, the calculation of the value of in-force business makes assumptions about future investment returns; to the extent that actual experience is different the effect is also included within insurance volatility.

3. Volatility (continued)

Insurance volatility (continued)
The main assumptions used in the calculation of the value of in-force business at 30 June 2005 were as follows:

	30 June 2005 %	30 June 2004 %	31 December 2004 %
Risk-adjusted discount rate (net of tax)	**7.08**	7.77	7.40
Return on equities (gross of tax)	**6.83**	7.69	7.17
Return on fixed interest securities (gross of tax)	**4.23**	5.09	4.57
Expenses inflation	**3.59**	3.90	3.76

Changes in stock market performance also affect the realistic valuation of the guarantees and options embedded within products written in the Scottish Widows with-profits fund, which following the implementation of FRS 27 is now reflected in the Group's balance sheet. Fluctuations in this valuation caused by market-related movements are also included within insurance volatility.

During the first half of 2005, profit before tax included positive insurance volatility of £104 million.

Banking volatility
In accordance with IFRS, it is the Group's policy to recognise all derivatives at fair value. The banking businesses manage their interest rate and other market risks primarily through the use of intra-Group derivatives, with the resulting net positions managed centrally using external derivatives. IFRS does not, however, permit the intra-Group derivatives to be used in a hedge relationship for reporting purposes. Although fair value accounting can have a significant impact on reported earnings, it does not impact on the business fundamentals or cash flows of the businesses. The Group has, therefore, implemented an internal pricing structure that allows divisions to transfer to central group items the volatility associated with marking to market derivatives held for risk management purposes. This 'banking volatility' is the difference between the result that would be recognised on an accrual accounting basis for derivatives held for risk management purposes and their mark to market value. The Group has set up a central hedging function to reduce the impact of this volatility by establishing, where possible, accounting hedge relationships for the external derivatives.

During the first half of 2005, profit before tax included a negative banking volatility of £73 million.

3. Volatility (continued)

Policyholder tax volatility

Under IFRS, tax on policyholder investment returns is included in the Group's tax charge rather than being offset against the related income. This has the effect of increasing or decreasing profit before tax with a corresponding change in the tax charge; there is no impact on earnings. In order to provide a clearer representation of the underlying performance of the Group's life and pensions businesses, and because the policyholder tax amount is likely to be volatile, the impact upon pre-tax profit has been separately identified within volatility.

During the first half of 2005, profit before tax included positive policyholder tax volatility of £46 million.

4. Policyholder grossing adjustments

IFRS requires line-by-line consolidation for all items of income and expenditure and, as a result, the Group can no longer report the results and balances of its life assurance businesses as single line items. These items have therefore been allocated to individual lines in the Group's income statement and balance sheet. As a result, in the income statement premiums receivable from policyholders and the returns on policyholder investments are now shown within total income, and a deduction is included for the related insurance claims expense. Whilst this represents a significant presentational change, there is no material impact upon the Group's profitability. The following tables show the impact on the comparable profit and loss account of these policyholder grossing adjustments:

Insurance and Investments

	Half-year to 30 June 2005		
	Comparable basis £m	**Policyholder gross-up £m**	**Comparable basis* £m**
Net interest income	**205**	**159**	**46**
Other income	**7,057**	**6,312**	**745**
Insurance claims	**(6,569)**	**(6,461)**	**(108)**
Total income, net of insurance claims	**693**	**10**	**683**
Operating expenses	**(293)**	**-**	**(293)**
Profit before tax	**400**	**10**	**390**

*comparable basis, excluding policyholder grossing adjustment

4. Policyholder grossing adjustments (continued)

	Half-year to 31 December 2004		
	Comparable basis £m	Policyholder gross-up £m	Comparable basis* £m
Net interest income	149	104	45
Other income	7,128	6,378	750
Insurance claims	(6,548)	(6,449)	(99)
Total income, net of insurance claims	729	33	696
Operating expenses	(321)	(27)	(294)
Impairment losses	3	-	3
Profit before tax	411	6	405

*comparable basis, excluding policyholder grossing adjustment

	Half-year to 30 June 2004		
	Comparable basis £m	Policyholder gross-up £m	Comparable basis* £m
Net interest income	134	85	49
Other income	3,617	2,892	725
Insurance claims	(3,074)	(2,959)	(115)
Total income, net of insurance claims	677	18	659
Operating expenses	(301)	(10)	(291)
Profit before tax	376	8	368

*comparable basis, excluding policyholder grossing adjustment

5. Mortgage lending

	Half-year to 30 June		Half-year to 31 December
	2005	2004	2004
	£m	£m	£m
Gross new mortgage lending	**£11.8bn**	£13.6bn	£12.7bn
Market share of gross new mortgage lending	**9.4%**	9.4%	8.7%
Net new mortgage lending	**£3.6bn**	£5.5bn	£3.8bn
Market share of net new mortgage lending	**8.9%**	10.4%	7.9%
Mortgages outstanding (period-end)*	**£83.7bn**	£76.3bn	£80.1bn
Market share of mortgages outstanding	**9.1%**	9.2%	9.1%

*****excluding the effect of IFRS related adjustments

6. Central group items*

	Half-year to 30 June		Half-year to 31 December
	2005	2004	2004
	£m	£m	£m
Lloyds TSB Foundations	**(17)**	(16)	(15)
Funding cost of acquisitions less earnings on capital	**(168)**	(150)	(167)
Central costs and other unallocated items	**16**	13	(15)
	(169)	(153)	(197)

*****comparable basis

The four Lloyds TSB Foundations support registered charities throughout the UK that enable people, particularly disabled and disadvantaged, to play a fuller role in society. The Foundations receive 1 per cent of the Lloyds TSB Group's pre-tax profit after adjusting for gains and losses on the disposal of businesses and pre-tax minority interests, averaged over three years, instead of the dividend on their shareholdings. In the first half of 2005, £17 million was accrued for payment to registered charities.

7. Group net interest income

	Half-year to 30 June		Half-year to 31 December
	2005	2004	2004
Statutory basis	**£m**	£m	£m
Net interest income	**2,751**	2,518	2,592
Average interest-earning assets, excluding reverse repos	**195,975**	174,490	183,236
Net interest margin	**2.83%**	2.90%	2.81%
Banking margin – comparable basis*			
Net interest income	**2,474**	2,391	2,456
Average interest-earning assets, excluding reverse repos	**181,305**	166,244	174,586
Net interest margin	**2.75%**	2.89%	2.80%

*As a result of the implementation of IFRS, the Group's net interest income includes certain amounts attributable to policyholders, in addition to the interest earnings on shareholders' funds held in the Group's insurance businesses. In order to maintain the comparability of the Group's banking net interest margin these amounts, together with the related average interest-earning assets, have been excluded from the comparable basis calculation.

8. Other income

Comparable basis	Half-year to 30 June 2005 £m	Half-year to 30 June 2004 £m	Half-year to 31 December 2004 £m
Fees and commissions receivable:			
UK current account fees	**358**	312	325
Other UK fees and commissions	**573**	537	550
Insurance broking	**364**	291	381
Card services	**267**	234	281
International fees and commissions	**61**	67	64
	1,623	1,441	1,601
Fees and commissions payable	**(436)**	(423)	(419)
Net fees and commissions income	**1,187**	1,018	1,182
Net trading income (note 9)	**3,454**	873	4,013
Insurance premium income	**3,630**	2,843	3,227
Other operating income	**472**	444	430
Total other income*	**8,743**	5,178	8,852
Insurance claims	**(6,569)**	(3,074)	(6,548)
Total other income, net of insurance claims*	**2,174**	2,104	2,304
Volatility			
- Banking	**(35)**	-	-
- Insurance	**104**	(65)	210
- Policyholder tax	**46**	5	(3)
Other IFRS adjustments applied from 1 January 2005	**(115)**	-	-
Discontinued operations	**-**	10	4
Total other income, net of insurance claims	**2,174**	2,054	2,515

*comparable basis

9. Net trading income

Comparable basis	Half-year to 30 June 2005 £m	Half-year to 30 June 2004 £m	Half-year to 31 December 2004 £m
In respect of insurance products:			
Securities and other gains	**3,340**	754	3,897
In respect of banking products:			
Foreign exchange income	**76**	83	88
Securities and other gains	**38**	36	28
	114	119	116
Net trading income	**3,454**	873	4,013

10. Operating expenses

	Half-year to 30 June		Half-year to 31 December
	2005	2004	2004
Comparable basis	**£m**	£m	£m
Administrative expenses:			
Staff:			
Salaries	**1,014**	955	1,006
National insurance	**78**	68	74
Pensions	**144**	149	158
Other staff costs	**134**	124	156
	1,370	1,296	1,394
Premises and equipment:			
Rent and rates	**145**	146	147
Hire of equipment	**6**	9	7
Repairs and maintenance	**70**	63	65
Other	**62**	69	61
	283	287	280
Other expenses:			
Communications and external data processing	**220**	215	231
Advertising and promotion	**112**	109	96
Professional fees	**97**	104	118
Provisions for customer redress	**-**	-	112
Other	**191**	200	187
	620	628	744
Administrative expenses	**2,273**	2,211	2,418
Depreciation	**324**	318	319
Total operating expenses – comparable basis	**2,597**	2,529	2,737
Discontinued operations	**-**	20	11
Other IFRS adjustments applied from 1 January 2005	**(18)**	-	-
Total operating expenses	**2,579**	2,549	2,748
Cost:income ratio - comparable basis*	**53.8%**	54.9%	53.7%
Cost:income ratio*	**52.4%**	55.8%	53.8%

*total operating expenses divided by total income, net of insurance claims. The cost:income ratio on a comparable basis also excludes the provisions for customer redress in the second half of 2004

11. Number of employees (full-time equivalent)

	30 June 2005	30 June 2004	31 December 2004
UK Retail Banking	**35,135**	36,112	35,517
Insurance and Investments	**5,782**	5,594	5,541
Wholesale and International Banking	**19,108**	18,325	18,777
Other, largely IT and Operations	**9,580**	10,427	10,150
Continuing operations	**69,605**	70,458	69,985
Discontinued operations	**-**	1,363	-
Total number of employees (full-time equivalent)	**69,605**	71,821	69,985

12. Impairment losses for loans and advances

	Half-year to 30 June 2005	Half-year to 30 June 2004	Half-year to 31 December 2004
Comparable basis	**£m**	£m	£m
UK Retail Banking			
Personal loans/overdrafts	**269**	236	237
Credit cards	**141**	120	122
Mortgages	**6**	(12)	(27)
	416	344	332
Insurance and Investments	**-**	-	(3)
Wholesale and International Banking	**95**	132	98
Total charge – comparable basis	**511**	476	427
Discontinued operations	-	(34)	(3)
Other IFRS adjustments applied from 1 January 2005	**159**	-	-
Total charge	**670**	442	424
	%	%	%
Charge as % of average lending:			
Personal loans/overdrafts	**4.45**	4.34	4.07
Credit cards	**3.74**	3.51	3.32
Mortgages	**0.02**	(0.03)	(0.07)
UK Retail Banking	**0.87**	0.79	0.71
Insurance and Investments	**-**	-	(0.01)
Wholesale and International Banking	**0.31**	0.52	0.34
Total charge – comparable basis	**0.63**	0.68	0.56
Discontinued operations	-	(19.92)	(2.69)
Other IFRS adjustments applied from 1 January 2005	**0.19**	-	-
Total charge	**0.80**	0.63	0.55

13. Capital ratios

	30 June 2005 £m	1 January 2005 £m
Capital		
Tier 1	**10,873**	10,793
Tier 2	**9,184**	8,767
	20,057	19,560
Supervisory deductions	**(6,658)**	(6,242)
Total capital	**13,399**	13,318
Risk-weighted assets	**£bn**	£bn
UK Retail Banking	**59.3**	57.2
Insurance and Investments	**2.2**	1.9
Wholesale and International Banking	**76.7**	71.0
Central group items	**1.7**	1.7
Total risk-weighted assets	**139.9**	131.8
Risk asset ratios		
Total capital	**9.6%**	10.1%
Tier 1	**7.8%**	8.2%

	Half-year to 30 June		Half-year to 31 December
	2005	2004	2004
	%	%	%
Post-tax return on average risk-weighted assets	**1.79**	1.86	2.10
Post-tax return on average risk-weighted assets*	**1.88**	1.92	1.91

*comparable basis

14. Balance sheet information

	30 June 2005 £m	1 January 2005 £m
Deposits - customer accounts		
Sterling:		
Non-interest bearing current accounts	**3,547**	3,300
Interest bearing current accounts	**37,100**	35,863
Savings and investment accounts	**59,315**	57,255
Other customer deposits	**18,455**	17,058
Total sterling	**118,417**	113,476
Currency	**12,133**	12,873
Total deposits - customer accounts	**130,550**	126,349
Loans and advances to customers		
Domestic:		
Agriculture, forestry and fishing	**2,191**	2,083
Manufacturing	**5,001**	4,622
Construction	**2,463**	2,147
Transport, distribution and hotels	**7,358**	7,063
Property companies	**7,095**	5,943
Financial, business and other services	**16,937**	16,862
Personal : mortgages	**83,950**	80,282
: other	**23,390**	22,841
Lease financing	**6,266**	6,227
Hire purchase	**4,980**	4,828
Other	**5,597**	5,930
Total domestic	**165,228**	158,828
International:		
Latin America	**153**	125
United States of America	**1,989**	2,028
Europe	**1,704**	1,583
Rest of the world	**624**	516
Total international	**4,470**	4,252
	169,698	163,080
Impairment provisions for loans and advances	**(2,115)**	(1,918)
Total loans and advances to customers	**167,583**	161,162

15. Movements in subordinated liabilities

	£m
Balance at 1 January 2004	**10,454**
Matured/repaid in the period	(500)
Other	(171)
Balance at 30 June 2004	**9,783**
Issued in the period	699
Matured/repaid in the period	(264)
Other	34
Balance at 31 December 2004	**10,252**
Adjustments on transition to IAS 32, IAS 39 and IFRS 4	959
Restated balance at 1 January 2005	**11,211**
Issued in the period	802
Other	54
Balance at 30 June 2005	**12,067**

16. Economic profit

	Half-year to 30 June		Half-year to 31 December
	2005	2004	2004
Statutory basis	**£m**	£m	£m
Average shareholders' equity	**9,741**	10,531	10,656
Profit attributable to equity shareholders	**1,192**	1,094	1,298
Less: notional charge	**(435)**	(471)	(482)
Economic profit	**757**	623	816
Comparable basis			
Average shareholders' equity	**11,399**	10,531	10,656
Profit attributable to equity shareholders	**1,237**	1,126	1,176
Less: notional charge	**(509)**	(471)	(482)
Economic profit	**728**	655	694

Economic profit represents the difference between the earnings on the equity invested in a business and the cost of the equity. The notional charge has been calculated by multiplying average shareholders' equity by the cost of equity used by the Group of 9 per cent (2004 first half: 9 per cent).

17. Earnings per share

	Half-year to 30 June 2005	Half-year to 30 June 2004	Half-year to 31 December 2004
Comparable basis			
Basic			
Profit attributable to equity shareholders	**£1,237m**	£1,126m	£1,176m
Weighted average number of ordinary shares in issue	**5,592m**	5,589m	5,591m
Earnings per share	**22.1p**	20.1p	21.0p
Statutory basis			
Basic			
Profit attributable to equity shareholders	**£1,192m**	£1,094m	£1,298m
Weighted average number of ordinary shares in issue	**5,592m**	5,589m	5,591m
Earnings per share	**21.3p**	19.6p	23.2p
Fully diluted			
Profit attributable to equity shareholders	**£1,192m**	£1,094m	£1,298m
Weighted average number of ordinary shares in issue	**5,637m**	5,624m	5,626m
Earnings per share	**21.1p**	19.5p	23.0p

18. Tax

The effective rate of tax was unchanged at 28.2 per cent compared to the first half of 2004, and lower than the standard UK corporation tax rate of 30 per cent.

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		Half-year to 31 December
	2005	2004	2004
	£m	£m	£m
Profit before tax	**1,676**	1,568	1,927
Tax charge thereon at UK corporation tax rate of 30%	**503**	470	578
Factors affecting charge:			
Disallowed and non-taxable items	**12**	10	(9)
Overseas tax rate differences	**(4)**	(3)	(11)
Net tax effect of disposals and unrealised gains	**(18)**	(6)	(6)
Tax deductible coupons on non-equity minority interests	-	(6)	(6)
Life companies tax accounting	**(14)**	(19)	42
Other items	**(7)**	(4)	6
Tax charge	**472**	442	594

The reduction in the effective rate from life companies tax accounting was 0.8 per cent. Under IFRS, the Group's life companies include the value of insurance contracts within profit before tax on a net basis. The tax charge does not, therefore, include an amount attributable to the value of the life companies' in-force business. The impact of this on the effective tax rate is partly offset by the inclusion of policyholder tax within the Group's tax charge.

19. Loss on sale of businesses

During the first half of 2004, the Group disposed of its businesses in Panama and Guatemala and recognised a goodwill write-off related to the disposal of its businesses in Colombia; during the second half of 2004 the Group disposed of its businesses in Colombia, Argentina and Honduras.

	Half-year to 30 June		Half-year to 31 December
	2005	2004	2004
	£m	£m	£m
Colombia	-	(10)	(11)
Argentina	-	-	1
Panama, Guatemala and Honduras	-	(3)	2
	-	(13)	(8)

20. Scottish Widows - realistic balance sheet information

Financial Services Authority (FSA) returns for large with-profits companies now include realistic balance sheet information. The information included in FSA returns concentrates on the position of the with-profits fund. However, under the Scottish Widows demutualisation structure, which was court approved, the fund is underpinned by certain assets outside the with-profits fund and it is more appropriate to consider the long-term fund position as a whole to measure the realistic capital position of Scottish Widows. Estimated positions at 30 June 2005 are shown below, together with the actual position at 31 December 2004.

30 June 2005 (estimated)	With-profits fund £bn	Long-term fund £bn
Available assets, including support account	19.6	22.9
Realistic value of liabilities	(18.5)	(18.4)
Working capital for fund	1.1	4.5
Working capital ratio	5.5%	19.5%
Risk capital margin cover	2.5 times	9.4 times

31 December 2004	With-profits fund £bn	Long-term fund £bn
Available assets, including support account	19.1	22.0
Realistic value of liabilities	(18.1)	(17.8)
Working capital for fund	1.0	4.2
Working capital ratio	5.1%	19.0%
Risk capital margin cover	2.4 times	9.3 times

21. Dividend

An interim dividend for 2005 of 10.7p per share (2004: 10.7p) will be paid on 5 October 2005.

Shareholders who have already joined the dividend reinvestment plan will automatically receive shares instead of the cash dividend. Key dates for the payment of the dividend are:

Shares quoted ex-dividend	**10 August**
Record date	**12 August**
Final date for joining or leaving the dividend reinvestment plan	**7 September**
Interim dividend paid	**5 October**

22. Other information

Results for the half-year ended 30 June 2005 were approved by the directors on 28 July 2005.

The financial information included in this news release does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2004 were delivered to the registrar of companies. 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.

CONTACTS

For further information please contact:-

Michael Oliver
Director of Investor Relations
Lloyds TSB Group plc
020 7356 2167
E-mail: michael.oliver@ltsb-finance.co.uk

Mary Walsh
Director of Corporate Relations
Lloyds TSB Group plc
020 7356 2121
E-mail: mary.walsh@lloydstsb.co.uk

Copies of this news release may be obtained from Investor Relations, Lloyds TSB Group plc, 25 Gresham Street, London EC2V 7HN. The full news release can also be found on the Group's website - www.lloydstsb.com.

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.