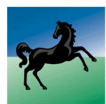


Lloyds TSB Group plc

Results for half-year
to 30 June 2007



Lloyds TSB

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

KEY OPERATING HIGHLIGHTS

Unless otherwise stated the analysis throughout this document compares the half-year to 30 June 2007 with the half-year to 30 June 2006 and excludes the impact of volatility (page 34, note 2).

"I am delighted to report that the Group has again delivered an excellent trading performance, with broad based revenue and earnings growth. Each division has delivered a strong increase in profit before tax, building on the demonstrable progress made in recent years.

The Board is increasingly confident in the Group's earnings prospects for 2007 and beyond and, as a result, has decided to increase the interim dividend by 5 per cent to 11.2p per share."

Sir Victor Blank
Chairman

- **Accelerating profit momentum** with improved returns: profit before tax up 15 per cent to £2,010 million, whilst post-tax return on equity increased to 27.0 per cent. All divisions showing strong profit growth. Statutory profit before tax increased by 12 per cent to £1,993 million.
- **Improved income growth.** Income growth of 9 per cent reflected strong performances from all divisions.
- **Excellent cost management.** Cost growth of 6 per cent, delivering wide positive jaws. Significant cost:income ratio improvement. Groupwide productivity improvement programme remains on track to deliver substantial further benefits.
- **Satisfactory credit quality.** Strong corporate asset quality continues; retail impairment charge broadly flat. Group impairment charge as a percentage of average lending down.
- **Strong capital management.** Robust capital ratios maintained.
- **Interim dividend increased by 5 per cent.** First increase for five years.
- **Excellent income momentum in UK Retail Banking.** Overall product sales up 16 per cent, with 23 per cent growth in the branch network. Income up 6 per cent with profit before tax increasing by 13 per cent.
- **Continued strong performance in Scottish Widows** with an 8 per cent increase in new business sales. Insurance and Investments profit before tax, adjusting for the impact of surplus capital repatriation and insurance grossing, increased by 11 per cent.
- **Continued strong trading momentum in Wholesale and International Banking** driven by a 26 per cent increase in Corporate Markets income. Income growth of 10 per cent exceeded cost growth of 5 per cent; profit before tax increased by 12 per cent.

SUMMARY OF RESULTS

	Half-year to 30 June 2007 £m	Half-year to 30 June 2006 £m	Change %	Half-year to 31 December 2006 £m
Results – statutory				
Total income, net of insurance claims	5,590	5,189	8	5,915
Operating expenses	2,760	2,610	(6)	2,691
Trading surplus	2,830	2,579	10	3,224
Impairment losses on loans and advances	837	800	(5)	755
Profit before tax	1,993	1,779	12	2,469
Economic profit (page 42, note 14)	1,027	749	37	1,106
Profit attributable to equity shareholders	1,540	1,214	27	1,589
Earnings per share (page 43, note 15)	27.3p	21.7p	26	28.2p
Post-tax return on average shareholders' equity	27.0%	23.5%		29.6%
Results – excluding volatility*				
Total income, net of insurance claims	5,607	5,160	9	5,534
Operating expenses	2,760	2,610	(6)	2,819
Trading surplus	2,847	2,550	12	2,715
Impairment losses on loans and advances	837	800	(5)	755
Profit before tax	2,010	1,750	15	1,960
Economic profit	1,008	772	31	918
Earnings per share	26.9p	22.1p	22	24.8p
Post-tax return on average shareholders' equity	27.0%	24.0%		26.2%
Post-tax return on average risk-weighted assets	1.93%	1.66%		1.78%
Shareholder value				
Closing market price per share (period end)	556p	531.5p	5	571.5p
Total market value of shareholders' equity	£31.4bn	£29.9bn	5	£32.2bn
Proposed dividend per share (page 49, note 20)	11.2p	10.7p	5	23.5p
	30 June 2007 £m	30 June 2006 £m	Change %	31 December 2006 £m
Balance sheet				
Shareholders' equity	11,373	10,157	12	11,155
Net assets per share (pence)	199	178	12	195
Total assets	353,095	325,767	8	343,598
Loans and advances to customers	200,181	182,157	10	188,285
Customer deposits	144,654	136,465	6	139,342
Risk asset ratios				
Total capital	10.4%	10.3%		10.7%
Tier 1 capital	8.1%	7.4%		8.2%

*results for the half-year to 31 December 2006 also exclude the £128 million pension schemes related credit.

PROFIT ANALYSIS BY DIVISION

	Half-year to 30 June 2007 £m	Half-year to 30 June 2006 £m	Change %	Half-year to 31 December 2006 £m
UK Retail Banking (page 13)				
- Before settlement of overdraft claims	839	713	18	836
- Settlement of overdraft claims	(36)	-		-
	803	713	13	836
Insurance and Investments (page 16)	499	466	7	507
Wholesale and International Banking (page 22)	863	768	12	872
Central group items				
- Before pension schemes related credit	(155)	(197)		(255)
- Pension schemes related credit	-	-		128
	(155)	(197)		(127)
Profit before tax – excluding volatility	2,010	1,750	15	2,088
Volatility (page 34, note 2)				
- Insurance	41	(61)		145
- Policyholder interests	(58)	90		236
Profit before tax	1,993	1,779	12	2,469
Taxation	(433)	(543)		(798)
Profit for the period	1,560	1,236	26	1,671
Profit attributable to minority interests	20	22		82
Profit attributable to equity shareholders	1,540	1,214	27	1,589
Profit for the period	1,560	1,236	26	1,671

GROUP CHIEF EXECUTIVE'S STATEMENT

During the first half of 2007, the Group has continued to make strong progress and we have again delivered good growth and high returns. We are reporting a growth in profits of 15 per cent, excluding volatility, and have achieved a 27 per cent return on equity, as we continue the successful realisation of our growth strategy.

Over the last few years, the Group has established good earnings momentum, and this has been clearly evident in our recent results. We have delivered improved levels of revenue growth, whilst continuing to enhance our productivity and this is creating increased capacity for investment in building the business. Our capital management is strong and the Group's capital ratios remain robust.

As a result of its increasing confidence in the Group's future earnings performance, the Board has decided to increase the 2007 interim dividend by 5 per cent to 11.2p per share. Going forward, the Board expects to grow the dividend, whilst continuing to build dividend cover.

As I have stated previously, when developing our strategy, we identified that our best opportunity was to grow our business by realising the considerable potential within our existing franchises. We also believed there were significant opportunities to improve our productivity, and we could better manage our capital to fund our growth. By making progress against these opportunities, we could accelerate the levels of earnings growth from our core businesses and maintain our high returns. Our results over the past several periods, and especially during the first half of the year, validate that we are working on the right strategy, confirm that the core processes are in place and give us greater confidence for the future.

Our business model is based on developing deep, long-lasting relationships with our customers that allow us to generate a sustainable flow of high quality earnings. Our commitment to customers is reflected not only in our improved levels of customer satisfaction over the past several years and the development of a range of new customer offers, but also in the way we seek to make a real difference to customers. For instance, during the recent severe flooding in the UK, our staff have worked proactively with customers to help and reassure them during what has been a particularly challenging period.

In the past few years, the Group has delivered a consistently improving performance, whilst maintaining our strong returns. In the first half of 2007, we have made further progress against our objectives and, excluding volatility, profit before tax rose by 15 per cent, whilst economic profit rose by 31 per cent. The performance was underpinned by an improved rate of income growth, which rose to 9 per cent. Costs were again well controlled, up 6 per cent, supporting good levels of business investment, and this led to an increase in the trading surplus of 12 per cent. Asset quality remains in very good shape.

We have a long standing track record of improving the Group's efficiency and I am pleased that we have again made further progress as the cost:income ratio, excluding volatility and the settlement of overdraft claims, improved to 48.6 per cent, from 50.6 per cent in the first half of 2006. We are achieving this through the delivery of Groupwide initiatives such as centralising operations in Group Manufacturing, applying Lean and Sigma techniques to all our processes, and we are getting much smarter at leveraging our scale to reduce our procurement costs. The efficiency benefits are creating greater capacity for investment to underpin our future success.

We have further enhanced our capital management programmes in support of our business objectives. Our redirection of capital towards more profitable business and asset distribution initiatives are successfully supporting our Wholesale growth strategy, and we have continued our mortgage securitisation programme. We are managing our capital within Scottish Widows more effectively and, in addition to the £0.6 billion repatriated in the first half of 2007, we expect to identify further opportunities to repatriate additional capital.

The level of income and profit growth across each of the three operating divisions indicates that we have made good progress in building stronger relationships with our customers. This is also reflected in the improved customer satisfaction scores, the stronger level of new customer recruitment to the Group, and the good sales growth as we are able to satisfy more of our customers' financial services needs.

In the Retail Bank, profit before tax grew by 13 per cent, underpinned by 6 per cent growth in income. Costs continue to be well managed, rising just 2 per cent before the impact of the settlement of overdraft claims, and this allowed us to deliver good positive jaws. Our focus on improving the quality of our new lending, enhancements to our collections processes and better than assumed recoveries, has resulted in the charge for impairments falling by 1 per cent.

The Retail Bank has made substantial progress against its objectives this year. We continue to focus on improving the quality of service received by our customers, across all our distribution channels, and we are further extending the range of products and services we offer. During 2007, we introduced a number of innovative offerings, including the extension of our Added Value Account range and the more recent launch of our Duo credit cards.

We have had considerable success in our efforts to build the retail franchise, and saw good growth in both assets, up 7 per cent, and liabilities, up 8 per cent. This was underpinned by excellent results in our leading indicators, such as the increase in current account openings, up 25 per cent, and the growth in sales volumes of 16 per cent, as we seek to win a greater share of our customers' financial services spend.

In Insurance and Investments, profit before tax, adjusted for the impact of surplus capital repatriation and excluding volatility and insurance grossing, rose by 11 per cent and this was driven by income growth of 8 per cent. We have continued to invest in sales and service platforms and, thanks to continued productivity improvements, the cost increase was maintained at 4 per cent, which again allowed us to deliver wide positive jaws.

One of the major successes of this business has been its relationship with the distribution arms of the Retail Bank and Commercial Banking. In recent years, we have delivered strong growth in Scottish Widows sales to our franchise customers and this year I am again pleased that we are reporting a further increase of 16 per cent in our sales of bancassurance products. In the IFA channel, sales increased by 1 per cent, following record sales levels in the first half of last year.

As a result of our continued focus on managing the efficient use of capital in the business, we saw a further improvement in the new business margin as we continued to develop more capital efficient products to meet the needs of our customers. Scottish Widows remains well capitalised, notwithstanding the payment of more than £2.3 billion of dividends to Group over the past three years.

Wholesale and International Banking delivered another strong performance, with income up 10 per cent and profit before tax up 12 per cent, as we continue to build our key businesses: Corporate Markets and Commercial Banking. We continue to invest for future growth in both these areas and notwithstanding the 5 per cent increase in costs, we again delivered positive jaws. We maintain robust management controls over our asset portfolio, and wholesale asset quality remains strong.

Our Corporate Markets business continues to perform very strongly and delivered a 23 per cent improvement in profit before tax. We have continued to invest in this business in recent years, to allow us to develop the services and product range for our Corporate Banking clients, and this was rewarded with a 26 per cent increase in income, a significant (32 per cent) increase in cross-sales income and strong growth from Lloyds TSB Development Capital. We will be sustaining this investment programme to ensure we can meet more of our customers' needs and to build on the broader revenue streams that have been established. We were once again delighted to be named the CBI Corporate Bank of the Year, for the third year in succession, and we were recently named best UK Bank in the Euromoney Awards.

The Commercial Banking performance was also strong, with profit before tax increasing by 11 per cent, reflecting increased business volumes. We continue to attract new customers, cementing our market-leading position in the start-up market and, in addition, we continue to attract higher numbers of the valuable switcher accounts from competitors. The recent restructuring brought Commercial Finance, our factoring and invoice discounting unit, into the business and this is now providing a co-ordinated market-leading approach for our customers.

Whilst we have made considerable progress in building the business in recent years, we also recognise that part of our success depends on the strength of the communities in which we operate. The Group has a long-established corporate responsibility programme, which incorporates the Lloyds TSB Foundations. The Foundations make a substantial difference to the many thousands of people they support through their donations, and in 2007 they received some £37 million from the Group to continue their work.

In March of this year, the Group was also delighted to announce it was to be the official banking and insurance partner to the London 2012 Olympic Games. This marks a major sponsorship programme for the Group and will provide substantial business opportunities for us, working with communities throughout the country, in the lead up to the Games.

Summary

Lloyds TSB has a clear objective of developing strong customer franchises which we will successfully grow in the coming years by providing great value for our customers, and that in turn will allow us to deliver strong returns to our shareholders.

By putting the processes that support the business model in place, we are delivering improved results in the face of a more difficult operating environment. When taken together with our advances in areas such as risk management, our customer data analysis and the development of our people, we are building a framework to allow us to deliver higher performance both now and over the longer term.

Finally, let me again take this opportunity to express my sincere thanks to all our staff throughout the Group, who continue to deliver for our customers. Their commitment to our success is key to the Group, and our growing reputation reflects very strongly their wonderful contribution.

J Eric Daniels
Group Chief Executive

GROUP FINANCE DIRECTOR'S REVIEW OF FINANCIAL PERFORMANCE

In the first half of 2007 the Group delivered a strong performance. Statutory profit before tax was £1,993 million, an increase of £214 million, or 12 per cent. Profit attributable to equity shareholders increased by £326 million, or 27 per cent, to £1,540 million and earnings per share increased by 26 per cent to 27.3p. Economic profit increased by 37 per cent to £1,027 million, and the post-tax return on equity improved from 23.5 per cent to 27.0 per cent.

Accelerating earnings momentum

Profit before tax, excluding volatility, increased by £260 million, or 15 per cent, to £2,010 million, underpinned by strong profit momentum in all divisions, and notwithstanding the impact of a £28 million impairment charge relating to a change in the rate of corporation tax and a £36 million cost relating to the settlement of overdraft claims. An improved rate of revenue growth of 9 per cent exceeded cost growth of 6 per cent, with each division delivering stronger half-on-half revenue growth than cost growth. Earnings per share, excluding volatility, increased by 22 per cent to 26.9p and economic profit increased by 31 per cent to £1,008 million. Capital efficiency continued to improve throughout the Group, resulting in the post-tax return on average shareholders' equity increasing to 27.0 per cent, and the post-tax return on average risk-weighted assets increasing to 1.93 per cent, from 1.66 per cent. In our Insurance business, the post-tax return on embedded value, on an EEV basis, increased to 10.7 per cent, from 9.5 per cent.

Improved rate of income growth

Overall income growth of 9 per cent, excluding volatility, reflects a significant improvement on recent reporting periods and good progress in delivering our divisional strategies of increasing income from both new and existing customers, with good growth in both assets and liabilities, as well as significant increases in other income. Excluding the impact of insurance grossing adjustments, income increased by 8 per cent to £5,585 million.

Group net interest income, excluding volatility and insurance grossing, increased by £53 million. Strong levels of customer lending growth in Commercial Banking and Corporate Markets, and good growth in mortgages and retail deposits, more than offset lower unsecured personal lending balances. Total assets increased by 8 per cent to £353 billion, with a 10 per cent increase in loans and advances to customers. Customer deposits increased by 6 per cent to £145 billion, supported in particular by good growth in savings balances in the retail bank.

The net interest margin from our banking businesses (page 36, note 4) decreased by 16 basis points, to 2.87 per cent. Stronger growth in finer margin mortgages and a reduction in wider margin unsecured consumer lending contributed to a negative mix effect which accounted for 7 basis points of the margin decline, and funding costs accounted for 2 basis points. Overall product margins were 7 basis points lower, largely reflecting competitive pressures in the mortgage and asset finance businesses and a move to finer margin secured lending in Commercial Banking, which were partly offset by an increase in retail savings margins.

Other income, net of insurance claims and excluding volatility and insurance grossing, increased significantly, by £380 million, or 16 per cent, to £2,773 million. This reflected an improvement in fees and commissions receivable as a result of strong growth in added value current accounts, and higher insurance commissions in the retail bank. In addition, particularly strong growth was achieved in cross-selling income from sales and structuring, and debt capital markets activities within Corporate Markets, which supported a 33 per cent increase in Corporate Markets other income.

General insurance weather related claims increased by £57 million, of which £45 million related to severe flooding in the UK in June 2007. Further severe flooding in the UK during July 2007 is likely to result in additional exceptional claims in the second half of 2007 (page 21).

In addition to reporting under IFRS, the Group provides supplemental financial information relating to Scottish Widows on a European Embedded Value (EEV) basis. We believe that EEV represents the most appropriate measure of long-term value creation in life assurance and investment businesses. On an IFRS basis, Scottish Widows' 2007 first half profit before tax, excluding volatility, totalled £419 million, whilst on an EEV basis profit before tax, excluding volatility, was £482 million. Similarly, the embedded value on an IFRS basis at 30 June 2007 was £5,165 million, compared to embedded value on an EEV basis of £6,362 million.

Excellent cost management

The Group continues to make significant investment in improving processing efficiency, the benefits of which are seen in a strong cost performance. During the first half of 2007, operating expenses increased by 6 per cent to £2,760 million. However, excluding the settlement of overdraft claims, costs rose by 4 per cent. Over the last 12 months, staff numbers have fallen by 2,251 (3 per cent) to 66,012, largely as a result of greater efficiency in back office processing centres. These improvements in operational effectiveness have resulted in a Group cost:income ratio, excluding volatility and the impact of the settlement of overdraft claims, which is 2.0 percentage points lower at 48.6 per cent.

The Group's programme of productivity initiatives has continued to deliver significant benefits. In the first half of the year the programme delivered net benefits of £72 million, with gross benefits of £114 million and reinvestment in further programme initiatives of £42 million. The Group remains on track to deliver net annual benefits of approximately £125 million in 2007, and £250 million in 2008.

Along with a number of other UK banks, during the first half of 2007 the Group has experienced a number of customer claims for the repayment of overdraft fees. On 27 July, a number of banks, together with the Office of Fair Trading (OFT), asked the UK High Court to clarify the legal position regarding these fees. It is unclear how long the case will last but, in the meanwhile, the handling of customer complaints on this issue has been suspended pending a decision by the court. The first half results include a charge of £36 million relating to the settlement of claims during the first half of the year, together with related costs.

Satisfactory asset quality

Impairment losses on loans and advances increased by 5 per cent to £837 million. Our impairment charge expressed as a percentage of average lending was 0.84 per cent, compared to 0.88 per cent in the first half of last year (page 39, note 9). Impaired assets were broadly unchanged at £4,049 million, and now represent 2.0 per cent of total lending, down from 2.1 per cent at 30 June 2006.

In UK Retail Banking, impairment losses on loans and advances decreased by £5 million, or 1 per cent, to £627 million. During the first half of 2007, we have seen a reduction in the level of customer insolvencies, improvements in the Group's collections procedures and better than assumed recoveries. The quality of new unsecured lending has continued to be strong and our arrears and delinquency trends have remained satisfactory. In addition, the asset quality in our mortgage portfolio has remained excellent. The retail impairment charge for 2007 is currently expected to be no higher than that in 2006.

The Wholesale and International Banking charge for impairment losses on loans and advances increased by £51 million to £210 million, including a one-off charge of £28 million relating to the impact of the 2007 Finance Act on the Group's leasing business and, as expected, lower levels of releases and recoveries in Corporate Markets and Commercial Banking. Overall asset quality remains strong and the level of new corporate provisions remains at a low level.

Strong capital management disciplines

At the end of June 2007, the total capital ratio was 10.4 per cent and the tier 1 ratio was 8.1 per cent. During the half-year, risk-weighted assets increased by 3 per cent to £161 billion, as strong growth in our mortgage and Corporate Markets businesses was partly offset by the impact of the Group's securitisation programme, which reduced risk-weighted assets by £1.9 billion.

Scottish Widows remains strongly capitalised and, at the end of June 2007, the working capital ratio of the Scottish Widows Long Term Fund was an estimated 19.1 per cent (page 43, note 16). In the first half of 2007, further capital repatriation totalling £0.6 billion was made to the Group, bringing the total capital repatriation since the beginning of 2005 to £2.3 billion. We continue to examine opportunities to improve our capital efficiency and have work under way that we believe will allow Scottish Widows to further repatriate in excess of £1 billion capital to the Group, whilst maintaining a strong capital position.

The Group has continued to make good progress in its preparations for the introduction of Basel II and we plan to move to the Internal Ratings Based approach from January 2008. Our final regulatory capital assessment is not expected until the fourth quarter of 2007, however we expect to maintain satisfactory capital ratios throughout the transition. No deduction of investments in insurance subsidiaries is expected to be made from tier 1 capital until at least 2012.

During the first half of the year, the Group's pension schemes accounting deficit reduced by £130 million, to £2,332 million, as cash contributions to the Group's defined benefit schemes exceeded the regular cost. A review of the position at 30 June 2007 in the Group's two principal pension schemes, which will be formally updated at the year-end, has indicated that the deficit had reduced by approximately £1.6 billion since 31 December 2006 before taking into account the effect of the IAS19 corridor approach, largely reflecting the impact of rising corporate bond yields. This is not reflected in the Group's half-year results.

Impact of 2007 Finance Act

The effective tax rate of the Group, excluding policyholder and OEIC interests and the impact of a tax credit arising from the UK corporation tax rate change, was 28.3 per cent (page 48, note 19). The 2007 Finance Act reduction in corporation tax rate from 30 per cent to 28 per cent resulted in a one-off impairment charge of £28 million before tax, relating to a reduction in future rental income within the Group's leasing business. In addition, the Group's deferred tax liabilities have reduced, resulting in a credit to the Group's tax charge of £89 million. The net impact of these items has been to increase earnings attributable to shareholders by £70 million during the first half of the year.

Sale of Lloyds TSB Registrars

In May 2007, Lloyds TSB agreed the sale of the business and assets of Lloyds TSB Registrars to Advent International for a total cash consideration of £550 million, subject to completion and other adjustments. The transaction is expected to be completed in the second half of 2007 and remains subject to regulatory approval. Subject to completion and other adjustments, it is expected that a profit before tax of circa £440 million (tax: nil) will be recognised in the income statement of Lloyds TSB Group for the year ending 31 December 2007.

Delivering accelerated earnings momentum, whilst improving profitability and returns

For the first time in recent years, the Group has delivered double-digit growth in profit before tax, earnings per share and economic profit. This is a very strong performance, in what has been a competitive environment, and is driven by an improved rate of revenue growth, excellent cost management and satisfactory asset quality. Encouragingly, this growth has not come at the expense of returns as the Group has substantially improved both its return on equity and return on risk-weighted assets. As a result, we expect 2007 to be another good year for the Group.

Helen A Weir
Group Finance Director

SUMMARISED SEGMENTAL ANALYSIS

Half-year to 30 June 2007	UK Retail Banking £m	Insurance and Investments** £m	Wholesale and International Banking £m	Central group items £m	Group excluding insurance gross up £m	Insurance gross up** £m	Group £m
Net interest income	1,844	27	1,275	(334)	2,812	126	2,938
Other income	883	937	923	182	2,925	3,865	6,790
Total income	2,727	964	2,198	(152)	5,737	3,991	9,728
Insurance claims	-	(152)	-	-	(152)	(3,969)	(4,121)
Total income, net of insurance claims	2,727	812	2,198	(152)	5,585	22	5,607
Operating expenses	(1,297)	(325)	(1,125)	(3)	(2,750)	(10)	(2,760)
Trading surplus (deficit)	1,430	487	1,073	(155)	2,835	12	2,847
Impairment losses on loans and advances	(627)	-	(210)	-	(837)	-	(837)
Profit (loss) before tax*	803	487	863	(155)	1,998	12	2,010
Volatility							
- Insurance	-	41	-	-	41	-	41
- Policyholder interests	-	-	-	-	-	(58)	(58)
Profit (loss) before tax	803	528	863	(155)	2,039	(46)	1,993
Half-year to 30 June 2006							
Net interest income	1,794	28	1,194	(257)	2,759	35	2,794
Other income	783	832	805	68	2,488	2,517	5,005
Total income	2,577	860	1,999	(189)	5,247	2,552	7,799
Insurance claims	-	(95)	-	-	(95)	(2,544)	(2,639)
Total income, net of insurance claims	2,577	765	1,999	(189)	5,152	8	5,160
Operating expenses	(1,232)	(312)	(1,072)	1	(2,615)	5	(2,610)
Trading surplus (deficit)	1,345	453	927	(188)	2,537	13	2,550
Impairment losses on loans and advances	(632)	-	(159)	(9)	(800)	-	(800)
Profit (loss) before tax*	713	453	768	(197)	1,737	13	1,750
Volatility							
- Insurance	-	(61)	-	-	(61)	-	(61)
- Policyholder interests	-	-	-	-	-	90	90
Profit (loss) before tax	713	392	768	(197)	1,676	103	1,779

* excluding volatility.

**the Group's income statement includes income and expenditure which are attributable to the policyholders of the Group's long-term assurance funds. These items have no impact upon the profit attributable to equity shareholders. In order to provide a clearer representation of the underlying trends within the Insurance and Investments segment, these items are shown within a separate column in the segmental analysis above.

SUMMARISED SEGMENTAL ANALYSIS (continued)

Half-year to 31 December 2006	UK Retail Banking £m	Insurance and Investments** £m	Wholesale and International Banking £m	Central group items £m	Group excluding insurance gross up £m	Insurance gross up** £m	Group £m
Net interest income	1,848	28	1,191	(336)	2,731	43	2,774
Other income	838	908	1,022	133	2,901	5,789	8,690
Total income	2,686	936	2,213	(203)	5,632	5,832	11,464
Insurance claims	-	(105)	-	-	(105)	(5,825)	(5,930)
Total income, net of insurance claims	2,686	831	2,213	(203)	5,527	7	5,534
Operating expenses	(1,244)	(334)	(1,192)	(52)	(2,822)	3	(2,819)
Trading surplus (deficit)	1,442	497	1,021	(255)	2,705	10	2,715
Impairment losses on loans and advances	(606)	-	(149)	-	(755)	-	(755)
Profit (loss) before tax [†]	836	497	872	(255)	1,950	10	1,960
Pension schemes related credit	-	-	-	128	128	-	128
Profit (loss) before tax*	836	497	872	(127)	2,078	10	2,088
Volatility							
- Insurance	-	145	-	-	145	-	145
- Policyholder interests	-	-	-	-	-	236	236
Profit (loss) before tax	836	642	872	(127)	2,223	246	2,469

* excluding volatility. † also excludes pension schemes related credit.

**the Group's income statement includes income and expenditure which are attributable to the policyholders of the Group's long-term assurance funds. These items have no impact upon the profit attributable to equity shareholders. In order to provide a clearer representation of the underlying trends within the Insurance and Investments segment, these items are shown within a separate column in the segmental analysis above.

DIVISIONAL PERFORMANCE

UK RETAIL BANKING

	Half-year to 30 June 2007 £m	Half-year to 30 June 2006 £m	Change %	Half-year to 31 December 2006 £m
Net interest income	1,844	1,794	3	1,848
Other income	883	783	13	838
Total income	2,727	2,577	6	2,686
Operating expenses				
- Before settlement of overdraft claims	(1,261)	(1,232)	(2)	(1,244)
- Settlement of overdraft claims	(36)	-		-
	(1,297)	(1,232)	(5)	(1,244)
Trading surplus	1,430	1,345	6	1,442
Impairment losses on loans and advances	(627)	(632)	1	(606)
Profit before tax	803	713	13	836
Cost:income ratio, excluding settlement of overdraft claims	46.2%	47.8%		46.3%
Post-tax return on average risk-weighted assets	1.89%	1.65%		1.87%
Total assets	£112.7bn	£105.7bn	7	£108.4bn
Risk-weighted assets	£59.6bn	£61.6bn	(3)	£59.1bn
Customer deposits	£78.0bn	£72.5bn	8	£75.7bn

Key highlights

- **Strong income momentum, up 6 per cent, supporting 13 per cent growth in profit before tax.** Excluding the settlement of overdraft claims, profit before tax increased by 18 per cent to £839 million.
- **Strong sales growth** with overall sales up 16 per cent, with 23 per cent growth in the branch network.
- **Further good progress in growing the current account customer franchise**, with a 25 per cent increase in current account recruitment, including a 73 per cent increase in new added value current accounts.
- **Excellent cost management**, with a clear focus on improving processing efficiency and service quality. Excluding the impact of the settlement of overdraft claims, operating expenses increased by 2 per cent and there was a substantial improvement in the cost:income ratio.
- **The quality of new lending continues to be strong.** Impairment charge broadly flat. The retail impairment charge for 2007 is currently expected to be no higher than that in 2006.
- **Improved return on risk-weighted assets**, reflecting the impact of double-digit profit growth and a reduction in risk-weighted assets following mortgage securitisations.

UK RETAIL BANKING (continued)

Profit before tax from **UK Retail Banking** increased by £90 million, or 13 per cent, to £803 million, reflecting strong levels of franchise growth, excellent cost management and a broadly flat impairment charge. Total income increased by £150 million, or 6 per cent, supported by higher income from current accounts, savings and personal lending, whilst costs remain well controlled. Excluding the settlement of overdraft claims, profit before tax increased by 18 per cent to £839 million.

The adverse mix effect of stronger growth in finer margin mortgages and a reduction in wider margin unsecured personal lending led to an overall reduction in the division's net interest margin. Product margins also fell slightly reflecting competitive pressures in the mortgage business which more than offset an increase in retail savings margins.

Operating expenses remained well controlled, increasing by 2 per cent, excluding the settlement of overdraft claims. Significant improvements have been made in the rationalisation of back office operations to improve efficiency and we continue to increase the proportion of front office to back office staff in the branch network.

During the first half of 2007, UK Retail Banking has made substantial progress in each of its key strategic priorities: growing income from its existing customer base; expanding its customer franchise; and improving productivity and efficiency. In each of these areas, a key focus has been on improving sales of recurring income products, such as savings and bancassurance products which, combined with higher lending related income, has supported the accelerating rate of revenue growth.

Growing income from the customer base

Overall sales increased by 16 per cent, with improvements over a broad range of products, particularly current accounts, bank savings and bancassurance products. This improved sales growth has benefited from higher levels of new product innovation over the last twelve months with the successful launch, for example, of a number of enhanced savings products, an improved range of added value current accounts and the introduction of the innovative Lloyds TSB Duo credit card offer. Customer deposits have increased by 8 per cent over the last 12 months, with strong progress in growing our bank savings and wealth management deposit balances.

	30 June	30 June		31 December
	2007	2006	Change	2006
	£m	£m	%	£m
Current account and savings balances				
Bank savings	38,062	34,181	11	36,417
C&G deposits	14,502	14,151	2	14,621
Wealth management	4,737	4,014	18	4,402
UKRB savings	57,301	52,346	9	55,440
Current accounts	20,684	20,115	3	20,221
Total customer deposits	77,985	72,461	8	75,661

The Group has delivered good levels of growth in the mortgage business, focusing on prime mortgage business and seeking to maintain economic returns in what continues to be a fiercely competitive market. Gross new mortgage lending for the Group totalled £16.0 billion (2006 first half: £13.0 billion). Mortgage balances outstanding increased by 9 per cent to £100.1 billion and net new lending totalled £4.8 billion, resulting in a market share of net new lending of approximately 8.9 per cent, broadly in line with our stock position.

UK RETAIL BANKING (continued)

In unsecured consumer lending, tightened credit criteria over the last two years, together with the slowdown in consumer demand, has led to unsecured consumer credit balances falling slightly during the half-year. Personal loan balances outstanding at 30 June 2007 were flat at £11.1 billion, and credit card balances totalled £6.6 billion, a decrease of 7 per cent, although these balances showed signs of stabilisation during the second quarter of 2007.

Expanding the customer franchise

In addition to the strong growth in product sales from existing customers, the Group has continued to make progress in expanding its customer franchise. Current account recruitment increased by 25 per cent, compared with the first half of last year, supported by the new range of added value current accounts, in particular the Silver Account focusing on foreign nationals.

Wealth Management continues to make good progress with its expansion plans, and over 240 advisers have now been trained on an improved wealth management offer comprising private banking, open architecture portfolio management, retirement planning, insurance and estate planning services. In the first half of 2007, total new assets under management increased by 15 per cent and wealth management banking deposits grew by 18 per cent.

In June 2007, the Group launched the Lloyds TSB AirMiles Duo account – a new, innovative and exclusive credit card that offers a ‘two in one’ easy to manage account, with one PIN, one statement and two cards – an American Express and a MasterCard on which customers can earn AirMiles. The initial demand for this new product has been extremely strong. By the middle of July, approximately 140,000 applications had been received from a generally more transactional, high quality, customer segment.

Improving productivity and efficiency

We have continued to make significant progress in reducing levels of administration and processing work carried out in branches and, as a result, we have increased the number of dedicated customer facing branch network staff by some 4,000 over the last twelve months. Over the last 2 years, branch network staff time spent on back office administration work has reduced from approximately 35 per cent to around 5 per cent. This has enabled us to increase our focus on meeting our customers’ needs and has supported the substantially improved branch network sales productivity and service efforts. These improvements have led to the retail banking cost:income ratio, excluding the impact of the settlement of overdraft claims, improving to 46.2 per cent, from 47.8 per cent last year.

Impairment levels slightly decreased

Impairment losses on loans and advances decreased by £5 million, or 1 per cent, to £627 million, largely reflecting a reduction in the level of customer insolvencies and the strong quality of new lending. In addition, collections procedures continue to improve and we achieved better than assumed recoveries. The impairment charge as a percentage of average lending improved to 1.15 per cent, compared to 1.23 per cent in the first half of last year. Over 99 per cent of new personal loans and over 80 per cent of new credit cards sold during the first half of 2007 were to existing customers, where the Group has a better understanding of an individual customer’s total financial position. Mortgage credit quality remains good and, as a result, the impairment charge fell by £1 million to £5 million. Arrears in the mortgage business have also fallen during the first half of the year. In Cheltenham & Gloucester, the average indexed loan-to-value ratio on the mortgage portfolio was 44 per cent, and the average loan-to-value ratio for new mortgages and further advances written during the first half of 2007 was 63 per cent. Whilst customer insolvency and interest rate trends remain key factors in the outlook for retail impairment, the retail impairment charge for 2007 is currently expected to be no higher than that in 2006.

INSURANCE AND INVESTMENTS

	Half-year to 30 June 2007 £m	Half-year to 30 June 2006 £m	Change %	Half-year to 31 December 2006 £m
Excluding volatility				
Net interest income	27	28	(4)	28
Other income	937	832	13	908
Total income	964	860	12	936
Insurance claims	(152)	(95)	(60)	(105)
Total income, net of insurance claims	812	765	6	831
Operating expenses	(325)	(312)	(4)	(334)
Insurance grossing adjustment (page 11)	12	13		10
Profit before tax	499	466	7	507
Profit before tax analysis				
Life, pensions and OEICs				
New business profit - life and pensions	80	71	13	100
New business profit - OEICs	(12)	(12)	-	(12)
Existing business	248	188	32	196
Expected return on shareholders' net assets	103	73	41	67
Impact of surplus capital repatriation	-	15		15
	419	335	25	366
General insurance	59	114	(48)	129
Scottish Widows Investment Partnership	21	17	24	12
Profit before tax	499	466	7	507
Present value of new business premiums (PVNBP)	5,372	4,969	8	4,771
PVNBP new business margin (EEV basis)	3.4%	3.3%		3.8%
Post-tax return on embedded value (EEV basis, page 46, note 17)	10.7%	9.5%		9.1%

Key highlights

- **Strong profit performance.** Profit before tax increased by 7 per cent to £499 million. Adjusting for the impact of surplus capital repatriation, profit before tax increased by 11 per cent.
- **Good income growth.** Income, net of insurance claims and adjusting for the impact of surplus capital repatriation, increased by 8 per cent, exceeding cost growth of 4 per cent.
- **Good sales performance.** 8 per cent increase in Scottish Widows' present value of new business premiums. Strong progress in increasing bancassurance sales, up 16 per cent, with a good performance in the sale of protection products.
- **Strong new business profitability.** On an EEV basis, life, pensions and OEICs new business profit in Scottish Widows increased by 9 per cent and the post-tax return on embedded value increased to 10.7 per cent. New business margin remained robust at 3.4 per cent.
- **Strong capital position** of Scottish Widows maintained. Scottish Widows continues to deliver improving capital efficiency and self-financing growth, and a further £0.6 billion of capital was repatriated to the Group in the first half of 2007.
- **Increased weather related claims** of £57 million, £45 million relating to the severe flooding in the UK in June, contributed to a 48 per cent reduction in profit before tax in General insurance.

INSURANCE AND INVESTMENTS (continued)

Scottish Widows Life, pensions and OEICs

Profit before tax increased by £84 million, or 25 per cent, to £419 million. The effect of surplus capital repatriation to the Group has been to reduce investment earnings by a total of £15 million in the first half of 2007. Adjusting for this impact, profit before tax increased by 31 per cent.

Life and pensions new business profit grew by 13 per cent to £80 million reflecting higher sales volumes and an improved business mix. Total existing business profit grew by 32 per cent to £248 million, partly reflecting higher annuity profits from the closed Abbey Life business, and the absence of adverse assumption changes. The expected return on shareholders' net assets increased by 41 per cent to £103 million as a result of a higher volume of free assets, driven by strong equity markets and the impact of regulatory changes in 2006, and a higher expected rate of return.

During the first half of 2007, Scottish Widows has continued to make strong progress in each of its key business priorities: to maximise bancassurance success; to profitably grow IFA sales; to improve service and operational efficiency; and to optimise capital management.

Maximising bancassurance success

In the first half of 2007, the value of Scottish Widows' bancassurance new business premiums increased by 16 per cent, building on the success of the simplified product range for distribution through the Lloyds TSB branch network, Commercial Banking and Wealth Management channels. Sales of protection products were particularly strong. Towards the end of 2006, Scottish Widows launched a new protection product, 'Protection for Life', and this, together with a new branch network creditor insurance and protection product which replaced an externally provided creditor product, has led to the significant increase in protection sales during the first half of 2007. OEICs sales were 11 per cent lower in the first half of 2007, but this was a good performance following the more than doubling of sales in 2006.

Profitably growing IFA sales

Sales through the IFA distribution channel increased by 1 per cent, following record sales levels in the first half of 2006. Our strategy remains to write profitable business, as Scottish Widows has continued to increase its focus on the more profitable business areas within the IFA market. Sales of savings and investment products were lower as a result of the partial closure to new business last year of the Property Fund. This has now been re-opened for new business. Sales of corporate pensions products remained strong following excellent growth last year. A new pensions proposition was launched in the first quarter of 2007 to support pre-retirement sales.

Improving service and operational efficiency

Operational efficiencies have continued to improve during the first half of 2007, and expense growth has been restricted to 4 per cent, despite significant investment in new products and platforms and increased sales volumes throughout the division. External operational cost benchmarking indicates that Scottish Widows is in the top quartile for servicing costs per policy. Customer satisfaction levels continued to improve and Scottish Widows has again won a significant number of awards for service quality.

INSURANCE AND INVESTMENTS (continued)**Optimising capital management**

Scottish Widows has maintained its strong focus on improving capital management. During the first half of 2007 Scottish Widows continued to deliver a more capital efficient product profile, improved internal rates of return and an increased new business margin. The post-tax return on embedded value, on an EEV basis, increased to 10.7 per cent, from 9.5 per cent in the first half of last year. In the first half of 2007, £0.6 billion of capital was repatriated to the Group, giving a total capital repatriation of over £2.3 billion since the beginning of 2005. We continue to explore a number of opportunities to repatriate in excess of £1 billion of further capital from Scottish Widows in order to further improve capital efficiency.

Present value of new business premiums (PVNBP)	Half-year to 30 June 2007 £m	Half-year to 30 June 2006 £m	Change %	Half-year to 31 December 2006 £m
Life and pensions:				
Savings and investments	499	728	(31)	572
Protection	488	111	340	121
Individual pensions	1,092	1,152	(5)	1,067
Corporate and other pensions	928	894	4	1,067
Retirement income	516	397	30	563
Managed fund business	344	184	87	164
Life and pensions	3,867	3,466	12	3,554
OEICs	1,505	1,503		1,217
Life, pensions and OEICs	5,372	4,969	8	4,771
Single premium business	4,378	3,779	16	3,542
Regular premium business	994	1,190	(16)	1,229
Life, pensions and OEICs	5,372	4,969	8	4,771
Bancassurance	2,138	1,841	16	1,580
Independent financial advisers	2,950	2,929	1	2,777
Direct	284	199	43	414
Life, pensions and OEICs	5,372	4,969	8	4,771
New business margin (PVNBP)	3.4%	3.3%		3.8%

Overall, sales in the first half of 2007 increased by 8 per cent reflecting, in particular, strong growth in the sale of protection and retirement income products. Bancassurance sales improved significantly and were 16 per cent higher at £2,138 million, including good growth in the sale of protection products through both the branch network and our general insurance business. IFA sales were 1 per cent higher at £2,950 million, following record sales in the first half of last year. OEIC sales through the IFA channel were 75 per cent higher whilst sales of savings and investment products were lower as a result of the partial closure to new business last year of the Property Fund. Managed fund business benefited from higher levels of external client business. Good growth in retirement income products led to a 43 per cent increase in sales through the direct channels.

INSURANCE AND INVESTMENTS (continued)**Results on a European Embedded Value (EEV) basis**

Lloyds TSB continues to report under IFRS, however, in line with industry best practice, the Group provides supplementary financial reporting for Scottish Widows on an EEV basis. The Group believes that EEV represents the most appropriate measure of long-term value creation in life assurance and investment businesses.

	Half-year to 30 June 2007	Half-year to 30 June 2006	Change	Half-year to 31 December 2006
	Life, pensions and OEICs £m	Life, pensions and OEICs £m	%	Life, pensions and OEICs £m
New business profit	180	165	9	181
Existing business				
- Expected return	174	206	(16)	197
- Experience variances	23	(5)		74
- Assumption changes	(3)	(20)		(113)
	194	181	7	158
Expected return on shareholders' net assets	108	69	57	68
Profit before tax, adjusted for capital repatriation*	482	415	16	407
Impact of surplus capital repatriation to Group	-	15		15
Profit before tax*	482	430	12	422
New business margin (PVNBP)	3.4%	3.3%		3.8%
Embedded value (period-end)	£6,362m	£6,436m		£6,413m
Post-tax return on embedded value*	10.7%	9.5%		9.1%

*excluding volatility and other items (page 46, note 17)

Adjusting for the impact of capital repatriation, EEV profit before tax from the Group's life, pensions and OEICs business increased by 16 per cent to £482 million, reflecting the Group's continuing focus on the more profitable business areas and distribution channels.

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 9 per cent increase in new business profit to £180 million. As a result of growth in higher margin products in the bancassurance distribution channel, the new business margin remained robust at 3.4 per cent.

Existing business profit increased by 7 per cent. Expected return decreased by 16 per cent to £174 million, primarily reflecting a lower shareholder benefit this half-year from the reduction in the value of realistic balance sheet liabilities. Positive experience variances were driven by lower than expected take-up rates on guaranteed annuity options in Life and pensions. In the first half of 2007, overall lapse experience was broadly in line with the Group's expectations. Lapse rates in life and pensions business were slightly higher than expected whilst there was a favourable lapse experience in OEICs. The expected return on shareholders' net assets increased by £39 million, as a result of a higher volume of free assets, driven by strong equity markets and the impact of regulatory changes in 2006, and a higher expected rate of return.

Overall the post-tax return on embedded value increased to 10.7 per cent from 9.5 per cent.

INSURANCE AND INVESTMENTS (continued)**Scottish Widows Investment Partnership**

Pre-tax profit from Scottish Widows Investment Partnership (SWIP) increased by 24 per cent to £21 million, reflecting increased profitability resulting from an improved mix in external business, a key strategic priority for SWIP. Over the last 12 months, SWIP's assets under management increased by £0.5 billion to £97.8 billion.

Movements in funds under management

The following table highlights the movement in retail and institutional funds under management.

	Half-year to 30 June 2007 £bn	Half-year to 30 June 2006 £bn	Half-year to 31 December 2006 £bn
Opening funds under management	105.7	97.5	100.4
Movement in Retail Funds			
Premiums	6.2	5.9	5.8
Claims	(2.1)	(1.8)	(1.8)
Surrenders	(2.8)	(2.5)	(2.9)
Net inflow of business	1.3	1.6	1.1
Investment return, expenses and commission	1.7	0.8	5.2
Net movement	3.0	2.4	6.3
Movement in Institutional Funds			
Lloyds TSB Pension Scheme	(5.7)	-	-
Other institutional funds	(0.3)	0.4	(1.7)
Investment return, expenses and commission	0.5	0.3	1.2
Net movement	(5.5)	0.7	(0.5)
Dividends and surplus capital repatriation	(0.6)	(0.2)	(0.5)
Closing funds under management	102.6	100.4	105.7
Managed by SWIP	97.8	97.3	101.7
Managed by third parties	4.8	3.1	4.0
Closing funds under management	102.6	100.4	105.7

During the first half of 2007, the net movement in retail funds, net of expenses and commissions, remained strong at £3.0 billion as a result of strong premium growth and higher investment returns. Institutional funds under management reduced as a result of the decision by the Trustees of the Lloyds TSB pension schemes to move £5.7 billion into external passive management.

Including assets under management within our UK Wealth Management and International Private Banking businesses, Groupwide funds under management increased by 1 per cent to £122 billion.

INSURANCE AND INVESTMENTS (continued)**General insurance**

	Half-year to 30 June 2007 £m	Half-year to 30 June 2006 £m	Change %	Half-year to 31 December 2006 £m
Commission receivable	335	293	14	336
Commission payable	(353)	(328)	(8)	(336)
Underwriting income (net of reinsurance)	294	302	(3)	298
Other income	14	20	(30)	15
Net operating income	290	287	1	313
Claims paid on insurance contracts (net of reinsurance)	(152)	(95)	(60)	(105)
Operating income, net of claims	138	192	(28)	208
Operating expenses	(79)	(78)	(1)	(79)
Profit before tax	59	114	(48)	129
Claims ratio	50%	30%		34%
Combined ratio	96%	78%		82%

Profit before tax from our general insurance operations decreased by £55 million, to £59 million, as a result of a £57 million increase in weather related claims, of which £45 million related to severe flooding in the UK in June. Net operating income increased by 1 per cent whilst costs also increased by 1 per cent.

Sales performance has been robust with 10 per cent growth in new business gross written premiums (GWP). Home insurance sales through the UK Retail Bank continue to perform well with 10 per cent growth in new business GWP. Our presence in the small business insurance market continues to improve with an increase of 12 per cent in new business GWP from our general liability product.

Net operating income improved by £3 million, or 1 per cent, as growth in loan protection income was largely offset by lower motor insurance income and the run-off from the legacy health portfolio. Good income growth from our main home insurance product and the migration of the Pearl home insurance portfolio was partly offset by lower renewal income within our existing home insurance portfolio.

Income, net of claims, was £54 million lower, largely as a result of the increased extreme weather related claims in the first half of 2007, following a benign period in the first half of last year. As a result, overall claims increased by £57 million, and key underwriting ratios were significantly affected with an increase in the claims ratio to 50 per cent, and an increase in the combined ratio to 96 per cent. Further severe flooding in the UK during July is likely to result in additional exceptional claims in the second half of 2007. Although it is early in terms of our assessment of the eventual cost of these additional claims, it is likely that the level of claims will be similar to that experienced as a result of the June floods.

The business continues to invest in the development of its Corporate Partnering capability. Integration of the Pearl general insurance business acquired in July 2006 has progressed well. Notwithstanding the impact of recent weather related claims, performance of the Pearl business is in line with initial expectations.

WHOLESALE AND INTERNATIONAL BANKING

	Half-year to 30 June 2007 £m	Half-year to 30 June 2006 £m	Change %	Half-year to 31 December 2006 £m
Net interest income	1,275	1,194	7	1,191
Other income	923	805	15	1,022
Total income	2,198	1,999	10	2,213
Operating expenses	(1,125)	(1,072)	(5)	(1,192)
Trading surplus	1,073	927	16	1,021
Impairment losses on loans and advances	(210)	(159)	(32)	(149)
Profit before tax	863	768	12	872
Cost:income ratio	51.2%	53.6%		53.9%
Post-tax return on average risk-weighted assets	1.60%	1.31%		1.45%
Total assets	£151.4bn	£136.2bn	11	£147.8bn
Risk-weighted assets	£96.1bn	£86.5bn	11	£91.8bn
Customer deposits	£64.4bn	£61.6bn	5	£61.2bn
Profit before tax by business unit				
Corporate Markets	565	461	23	569
Commercial Banking	216	195	11	203
Asset Finance	33	63	(48)	50
International Banking and other businesses	49	49	-	50
	863	768	12	872

Key highlights

- **Continued strong trading momentum.** Substantial increase in trading surplus, up 16 per cent to £1,073 million, and a 12 per cent increase in profit before tax.
- **Strong income growth,** up 10 per cent, supported by broader revenue streams in Corporate Markets and higher volumes in Commercial Banking.
- **Strong risk management and asset quality,** despite a rise of £51 million in impairment losses as a result of a lower level of corporate releases and recoveries in the first half of the year and a £28 million provision reflecting the impact of the 2007 Finance Act on the division's leasing business. Gross provisions remained at a low level, reflecting the high overall quality of our lending.
- **Improving capital efficiency.** Post-tax return on average risk-weighted assets increased to 1.60 per cent, from 1.31 per cent.
- **Wide positive jaws.** Income growth exceeded cost growth of 5 per cent, and led to a substantial improvement in the cost:income ratio, notwithstanding continued investment in our front-line capabilities and infrastructure.
- **Further good progress in expanding our Corporate Markets business,** with a 26 per cent increase in Corporate Markets income supporting a 23 per cent growth in profit before tax. Cross selling income in Corporate Markets increased by 32 per cent.
- **Continued strong franchise growth in Commercial Banking,** with an 8 per cent growth in income and 11 per cent growth in profit before tax. Lloyds TSB has retained its leading position as the bank of choice for start-up businesses.
- **Tightened credit criteria in Asset Finance,** and a slowdown in demand in the consumer lending portfolio, led to a 48 per cent reduction in profit before tax.

WHOLESALE AND INTERNATIONAL BANKING (continued)

In **Wholesale and International Banking**, the Group has continued to make significant progress in its strategy to leverage the Group's strong corporate and small to medium business customer franchises and, in doing so, become the best UK mid-market focused wholesale bank. We have continued to develop new product revenue streams, particularly in areas such as securitisation, structured credit and credit loan trading which, coupled with a strong focus on targeted corporate customer segments and Corporate Markets' cross-selling income growth remaining strong, has supported good levels of overall income growth. Revenue growth has continued to exceed cost growth notwithstanding significant investment being made in the enhancement of our product and distribution capabilities and operating platforms, particularly in the Corporate Markets and Commercial Banking businesses.

We have recently re-aligned the Wholesale and International Banking organisational structure to better meet customer needs and improve efficiency. Customers with turnover between £2 million and £15 million per annum have moved from Corporate Markets to Business Banking, which has been renamed Commercial Banking. Lloyds TSB Commercial Finance, our asset-backed lending business which serves customers from start-ups to major international corporates, is now also part of Commercial Banking.

Profit before tax increased by £95 million, or 12 per cent, to £863 million. Good trading momentum has continued and has generated strong income growth of 10 per cent, driven by Corporate Markets income growth of 26 per cent. This exceeded cost growth of 5 per cent, leading to a reduction in the cost:income ratio to 51.2 per cent, from 53.6 per cent last year. Trading surplus increased by £146 million, or 16 per cent, to £1,073 million.

Net interest income increased by £81 million, or 7 per cent, reflecting higher income from strong growth in customer lending and customer deposits. The banking net interest margin reduced, largely reflecting the mix effect of a reduction in the wider margin Asset Finance business and lower Commercial Banking margins reflecting a higher proportion of finer margin secured lending being written. Other income increased by £118 million, or 15 per cent, as a result of good levels of growth in financial markets product sales, structured finance and income from venture capital investments. In addition, other transactional income throughout the division benefited from volume growth across a broad range of customer activity. Costs were 5 per cent higher at £1,125 million, reflecting higher costs resulting from the continuing investment in people, processes and systems, as the Group builds up its Corporate Markets product capability and Commercial Banking business.

As expected, the charge for impairment losses on loans and advances increased by £51 million to £210 million, as a result of the lower level of releases and recoveries in the first half of 2007, and the impact of a one-off £28 million impairment charge reflecting a reduction in rental income from operating lease activities following the corporation tax rate change included in the 2007 Finance Act. Overall corporate and SME asset quality remains strong and the level of new corporate provisions remains at a low level. We continue to expect some normalisation in the impairment charge over the next few years, but believe we remain relatively well positioned as a result of our prudent credit management policy.

WHOLESALE AND INTERNATIONAL BANKING (continued)**Corporate Markets**

	Half-year to 30 June 2007 £m	Half-year to 30 June 2006 £m	Change %	Half-year to 31 December 2006 £m
Net interest income	500	413	21	393
Other income	419	314	33	507
Total income	919	727	26	900
Operating expenses	(303)	(271)	(12)	(344)
Trading surplus	616	456	35	556
Impairment (losses)/credit on loans and advances				
- Before 2007 Finance Act impact	(23)	5		13
- 2007 Finance Act impact	(28)	-		-
	(51)	5		13
Profit before tax	565	461	23	569

In Corporate Markets, profit before tax grew by 23 per cent, driven by excellent levels of income growth. Income increased by 26 per cent, supported by continued high levels of cross-selling income and a higher level of income from venture capital investments. By building new product revenue streams in areas such as structured products and debt capital markets, and targeting and developing relationships in selected corporate customer segments, Corporate Markets has created a broader, more diversified stream of revenues to underpin future revenue growth. There has also been significant progress in the delivery of our strategy focused on improved origination and distribution capabilities in the mid-sized corporate business. Operating expenses increased by 12 per cent to £303 million, reflecting further investment in people, premises and systems to support ongoing business growth. The trading surplus increased by 35 per cent. The impairment charge of £51 million reflects the lower level of releases and recoveries and the £28 million one-off charge relating to the impact of the 2007 Finance Act on the division's leasing business.

WHOLESALE AND INTERNATIONAL BANKING (continued)**Commercial Banking**

	Half-year to 30 June 2007 £m	Half-year to 30 June 2006 £m	Change %	Half-year to 31 December 2006 £m
Net interest income	430	398	8	423
Other income	208	193	8	204
Total income	638	591	8	627
Operating expenses	(375)	(349)	(7)	(378)
Trading surplus	263	242	9	249
Impairment losses on loans and advances	(47)	(47)		(46)
Profit before tax	216	195	11	203

Profit before tax in Commercial Banking grew by £21 million, or 11 per cent, reflecting strong growth in business volumes, further improvements in growing the Commercial Banking customer franchise and progress in improving operational efficiency. Income increased by 8 per cent to £638 million, reflecting strong growth in lending and deposit balances, whilst costs were 7 per cent higher, as a result of increased investment to improve the operating platform. Commercial Banking continued to develop and grow its customer franchise strongly, with customer recruitment of more than 60,000 during the first half of 2007, reflecting its market-leading position in the start-up market. Lloyds TSB Commercial Finance has continued to improve its strong market position, with a market share of approximately 20 per cent, measured by client numbers. Asset quality in the Commercial Banking portfolios remains strong, and the impairment charge was unchanged at £47 million.

Asset Finance

	Half-year to 30 June 2007 £m	Half-year to 30 June 2006 £m	Change %	Half-year to 31 December 2006 £m
Net interest income	234	275	(15)	264
Other income	158	153	3	168
Total income	392	428	(8)	432
Operating expenses	(248)	(250)	1	(258)
Trading surplus	144	178	(19)	174
Impairment losses on loans and advances	(111)	(115)	3	(124)
Profit before tax	33	63	(48)	50

Profit before tax in Asset Finance decreased by 48 per cent to £33 million, reflecting tightened credit criteria and a slowdown in demand in the consumer lending portfolio which has led to a reduction in the level of new business underwritten. As a result, income decreased by £36 million, or 8 per cent. Costs were slightly lower and the impairment charge decreased by £4 million to £111 million, reflecting the recent tightening of credit criteria, improved collections procedures and lower balances outstanding, which offset an increase in arrears. Conditions in the Motor Finance business remain challenging. New business volumes have reduced, reflecting the market-wide slowdown in consumer demand, and we have sought to avoid the structural contraction in interest margins. In Personal Finance, new business volumes have risen modestly in a fiercely competitive market. Our Contract Hire business, Autolease, has performed well by continuing to leverage its strong market position and efficient operation.

CONSOLIDATED INTERIM INCOME STATEMENT – STATUTORY (unaudited)

	Half-year to 30 June 2007 £m	Half-year to 30 June 2006 £m	Half-year to 31 December 2006 £m
Interest and similar income	8,076	6,756	7,560
Interest and similar expense	(5,136)	(3,962)	(4,817)
Net interest income	2,940	2,794	2,743
Fee and commission income	1,597	1,518	1,598
Fee and commission expense	(395)	(430)	(416)
Net fee and commission income	1,202	1,088	1,182
Net trading income	2,366	1,194	5,147
Insurance premium income	2,535	2,329	2,390
Other operating income	668	423	383
Other income	6,771	5,034	9,102
Total income	9,711	7,828	11,845
Insurance claims	(4,121)	(2,639)	(5,930)
Total income, net of insurance claims	5,590	5,189	5,915
Operating expenses	(2,760)	(2,610)	(2,691)
Trading surplus	2,830	2,579	3,224
Impairment losses on loans and advances	(837)	(800)	(755)
Profit before tax	1,993	1,779	2,469
Taxation	(433)	(543)	(798)
Profit for the period	1,560	1,236	1,671
Profit attributable to minority interests	20	22	82
Profit attributable to equity shareholders	1,540	1,214	1,589
Profit for the period	1,560	1,236	1,671
Basic earnings per share	27.3p	21.7p	28.2p
Diluted earnings per share	27.1p	21.5p	28.0p
Dividend per share for the period*	11.2p	10.7p	23.5p
Dividend for the period*	£632m	£603m	£1,325m

*the dividend for the half-year to 30 June 2007 represents the interim dividend for 2007 which will be paid and accounted for on 3 October 2007 (the dividends shown for the half-year to 30 June 2006 and the half-year to 31 December 2006 represent the interim and final dividends for 2006 which were paid and accounted for on 4 October 2006 and 2 May 2007 respectively).

CONSOLIDATED INTERIM BALANCE SHEET – STATUTORY (unaudited)

	30 June	30 June	31 December
	2007	2006	2006
	£m	£m	£m
Assets			
Cash and balances at central banks	1,255	1,294	1,898
Items in course of collection from banks	1,727	1,814	1,431
Trading and other financial assets at fair value through profit or loss	68,424	60,803	67,695
Derivative financial instruments	6,640	5,032	5,565
Loans and advances to banks	33,599	34,927	40,638
Loans and advances to customers	200,181	182,157	188,285
Available-for-sale financial assets	21,994	20,221	19,178
Investment property	5,177	4,856	4,739
Goodwill	2,377	2,377	2,377
Value of in-force business	2,890	2,929	2,723
Other intangible assets	141	50	138
Tangible fixed assets	3,220	4,281	4,252
Other assets	5,470	5,026	4,679
Total assets	353,095	325,767	343,598
Equity and liabilities			
Deposits from banks	40,017	39,466	36,394
Customer accounts	144,654	136,465	139,342
Items in course of transmission to banks	727	707	781
Trading and other liabilities at fair value through profit or loss	2,866	1,543	1,184
Derivative financial instruments	6,890	6,068	5,763
Debt securities in issue	49,812	39,703	54,118
Liabilities arising from insurance contracts and participating investment contracts	41,985	40,215	41,445
Liabilities arising from non-participating investment contracts	25,609	22,489	24,370
Unallocated surplus within insurance businesses	628	573	683
Other liabilities	12,072	11,360	10,985
Retirement benefit obligations	2,332	2,799	2,462
Current tax liabilities	946	449	817
Deferred tax liabilities	1,236	1,337	1,416
Other provisions	233	307	259
Subordinated liabilities	11,378	11,693	12,072
Total liabilities	341,385	315,174	332,091
Equity			
Share capital	1,430	1,427	1,429
Share premium account	1,284	1,243	1,266
Other reserves	371	397	355
Retained profits	8,288	7,090	8,105
Shareholders' equity	11,373	10,157	11,155
Minority interests	337	436	352
Total equity	11,710	10,593	11,507
Total equity and liabilities	353,095	325,767	343,598

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY – STATUTORY (unaudited)

	Attributable to equity shareholders				Total £m
	Share capital and premium £m	Other reserves £m	Retained profits £m	Minority interests £m	
Balance at 1 January 2006	2,590	383	7,222	435	10,630
Movement in available-for-sale financial assets, net of tax	-	2	-	-	2
Movement in cash flow hedges, net of tax	-	11	-	-	11
Currency translation differences	-	1	(11)	-	(10)
Net income recognised directly in equity	-	14	(11)	-	3
Profit for the period	-	-	1,214	22	1,236
Total recognised income for the period	-	14	1,203	22	1,239
Dividends	-	-	(1,316)	(17)	(1,333)
Purchase/sale of treasury shares	-	-	(41)	-	(41)
Employee share option schemes:					
- value of employee services	-	-	22	-	22
- proceeds from shares issued	80	-	-	-	80
Repayment of capital to minority shareholders	-	-	-	(4)	(4)
Balance at 30 June 2006	2,670	397	7,090	436	10,593
Movement in available-for-sale financial assets, net of tax	-	(33)	-	-	(33)
Movement in cash flow hedges, net of tax	-	(10)	-	-	(10)
Currency translation differences	-	1	(20)	(4)	(23)
Net income recognised directly in equity	-	(42)	(20)	(4)	(66)
Profit for the period	-	-	1,589	82	1,671
Total recognised income for the period	-	(42)	1,569	78	1,605
Dividends	-	-	(603)	(15)	(618)
Purchase/sale of treasury shares	-	-	6	-	6
Employee share option schemes:					
- value of employee services	-	-	43	-	43
- proceeds from shares issued	25	-	-	-	25
Repayment of capital to minority shareholders	-	-	-	(147)	(147)
Balance at 31 December 2006	2,695	355	8,105	352	11,507
Movement in available-for-sale financial assets, net of tax	-	13	-	-	13
Movement in cash flow hedges, net of tax	-	(2)	-	-	(2)
Currency translation differences	-	5	(1)	(1)	3
Net income recognised directly in equity	-	16	(1)	(1)	14
Profit for the period	-	-	1,540	20	1,560
Total recognised income for the period	-	16	1,539	19	1,574
Dividends	-	-	(1,325)	(4)	(1,329)
Purchase/sale of treasury shares	-	-	(36)	-	(36)
Employee share option schemes:					
- value of employee services	-	-	5	-	5
- proceeds from shares issued	19	-	-	-	19
Repayment of capital to minority shareholders	-	-	-	(30)	(30)
Balance at 30 June 2007	2,714	371	8,288	337	11,710

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT – STATUTORY (unaudited)

	Half-year to 30 June 2007 £m	Half-year to 30 June 2006 £m	Half-year to 31 December 2006 £m
Profit before tax	1,993	1,779	2,469
Adjustments for:			
Change in operating assets	(4,602)	(10,873)	(21,122)
Change in operating liabilities	9,888	17,458	15,611
Non-cash and other items	1,081	(233)	1,788
Tax paid	(394)	(426)	(372)
Net cash from (used in) operating activities	7,966	7,705	(1,626)
Cash flows from investing activities			
Purchase of available-for-sale financial assets	(12,133)	(12,306)	(11,142)
Proceeds from sale and maturity of available-for-sale financial assets	8,946	6,661	11,445
Purchase of fixed assets	(874)	(723)	(1,001)
Proceeds from sale of fixed assets	388	170	1,087
Acquisition of businesses, net of cash acquired	(5)	(20)	-
Disposal of businesses, net of cash disposed	(26)	936	-
Net cash (used in) from investing activities	(3,704)	(5,282)	389
Cash flows from financing activities			
Dividends paid to equity shareholders	(1,325)	(1,316)	(603)
Dividends paid to minority interests	(4)	(17)	(15)
Interest paid on subordinated liabilities	(342)	(341)	(372)
Proceeds from issue of subordinated liabilities	-	-	1,116
Proceeds from issue of ordinary shares	19	80	25
Repayment of subordinated liabilities	(300)	(250)	(509)
Repayment of capital to minority shareholders	(30)	-	(151)
Net cash used in financing activities	(1,982)	(1,844)	(509)
Effects of exchange rate changes on cash and cash equivalents	(9)	(39)	(109)
Change in cash and cash equivalents	2,271	540	(1,855)
Cash and cash equivalents at beginning of period	25,438	26,753	27,293
Cash and cash equivalents at end of period	27,709	27,293	25,438

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.

CONDENSED SEGMENTAL ANALYSIS – STATUTORY (unaudited)

Lloyds TSB Group is a leading UK-based financial services group, providing a wide range of banking and financial services in the UK and in certain locations overseas. The Group's activities are organised into three segments: UK Retail Banking, Insurance and Investments and Wholesale and International Banking. Central group items includes the funding cost of certain acquisitions less earnings on capital, central costs and accruals for payment to the Lloyds TSB Foundations.

Services provided by UK Retail Banking encompass the provision of banking and other financial services to personal customers, private banking and mortgages. Insurance and Investments offers life assurance, pensions and savings products, general insurance and asset management services. Wholesale and International Banking provides banking and related services for major UK and multinational companies, banks and financial institutions, and small and medium-sized UK businesses. It also provides asset finance to personal and corporate customers, manages the Group's activities in financial markets and provides banking and financial services overseas.

Half-year to 30 June 2007	UK Retail Banking	General insurance	Life, pensions and asset management	Insurance and Investments	Wholesale and International Banking	Central group items*	Total
	£m	£m	£m	£m	£m	£m	£m
Interest and similar income*	3,755	10	459	469	4,744	(892)	8,076
Interest and similar expense*	(1,911)	-	(314)	(314)	(3,469)	558	(5,136)
Net interest income	1,844	10	145	155	1,275	(334)	2,940
Other income (net of fee and commission expense)	883	286	4,497	4,783	923	182	6,771
Total income	2,727	296	4,642	4,938	2,198	(152)	9,711
Insurance claims	-	(152)	(3,969)	(4,121)	-	-	(4,121)
Total income, net of insurance claims	2,727	144	673	817	2,198	(152)	5,590
Operating expenses	(1,297)	(79)	(256)	(335)	(1,125)	(3)	(2,760)
Trading surplus (deficit)	1,430	65	417	482	1,073	(155)	2,830
Impairment losses on loans and advances	(627)	-	-	-	(210)	-	(837)
Profit (loss) before tax	803	65	417	482	863	(155)	1,993
External revenue	4,361	639	5,037	5,676	5,089	116	15,242
Inter-segment revenue*	441	22	97	119	915	(1,475)	-
Segment revenue	4,802	661	5,134	5,795	6,004	(1,359)	15,242

*Central group items on this and the following page includes inter-segment consolidation adjustments within interest and similar income and within interest and similar expense as follows: interest and similar income £(1,397) million (2006H1: £(1,542) million; 2006H2: £(1,699) million); interest and similar expense £1,397 million (2006H1: £1,542 million; 2006 H2: £1,699 million). There is no impact on net interest income. Similarly, Central group items includes inter-segment revenue adjustments of £(1,913) million (2006 H1: £(1,665) million; 2006 H2: £(2,437) million).

CONDENSED SEGMENTAL ANALYSIS – STATUTORY (unaudited)

Half-year to 30 June 2006	UK Retail Banking £m	General insurance £m	Life, pensions and asset management £m	Insurance and Investments £m	Wholesale and International Banking £m	Central group items* £m	Total £m
Interest and similar income*	3,365	12	386	398	3,895	(902)	6,756
Interest and similar expense*	(1,571)	-	(335)	(335)	(2,701)	645	(3,962)
Net interest income	1,794	12	51	63	1,194	(257)	2,794
Other income (net of fee and commission expense)	783	280	3,098	3,378	805	68	5,034
Total income	2,577	292	3,149	3,441	1,999	(189)	7,828
Insurance claims	-	(95)	(2,544)	(2,639)	-	-	(2,639)
Total income, net of insurance claims	2,577	197	605	802	1,999	(189)	5,189
Operating expenses	(1,232)	(78)	(229)	(307)	(1,072)	1	(2,610)
Trading surplus (deficit)	1,345	119	376	495	927	(188)	2,579
Impairment losses on loans and advances	(632)	-	-	-	(159)	(9)	(800)
Profit (loss) before tax	713	119	376	495	768	(197)	1,779
External revenue	3,978	601	3,620	4,221	3,852	169	12,220
Inter-segment revenue*	319	10	44	54	826	(1,199)	-
Segment revenue	4,297	611	3,664	4,275	4,678	(1,030)	12,220

Half-year to 31 December 2006	UK Retail Banking £m	General insurance £m	Life, pensions and asset management £m	Insurance and Investments £m	Wholesale and International Banking £m	Central group Items* £m	Total £m
Interest and similar income*	3,548	12	434	446	4,911	(1,345)	7,560
Interest and similar expense*	(1,700)	-	(406)	(406)	(3,720)	1,009	(4,817)
Net interest income	1,848	12	28	40	1,191	(336)	2,743
Other income (net of fee and commission expense)	838	314	6,795	7,109	1,022	133	9,102
Total income	2,686	326	6,823	7,149	2,213	(203)	11,845
Insurance claims	-	(105)	(5,825)	(5,930)	-	-	(5,930)
Total income, net of insurance claims	2,686	221	998	1,219	2,213	(203)	5,915
Operating expenses	(1,244)	(79)	(252)	(331)	(1,192)	76	(2,691)
Trading surplus (deficit)	1,442	142	746	888	1,021	(127)	3,224
Impairment losses on loans and advances	(606)	-	-	-	(149)	-	(755)
Profit (loss) before tax	836	142	746	888	872	(127)	2,469
External revenue	4,158	648	7,268	7,916	5,015	(11)	17,078
Inter-segment revenue*	379	9	155	164	1,450	(1,993)	-
Segment revenue	4,537	657	7,423	8,080	6,465	(2,004)	17,078

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1. Accounting policies, presentation and estimates

These condensed consolidated interim financial statements as at and for the half-year to 30 June 2007 have been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. 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 2006 ('2006 Annual Report and Accounts') copies of which can be found on the Group's website at www.investorrelations.lloydstsb.com/ir/company_report_and_accounts.asp or are available upon request from the Company Secretary's Department, Lloyds TSB Group plc, 25 Gresham Street, London EC2V 7HN.

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 2006 Annual Report and Accounts. 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 2006. The Group has reviewed the valuation of its pension schemes and has concluded that no adjustment is required at 30 June 2007. In accordance with IAS 19, the valuations will be formally updated at the year-end. Goodwill held in the Group's balance sheet is tested (at least) annually for impairment in the second half of the year. No circumstances have arisen during the half-year to 30 June 2007 to require additional impairment testing.

The Group has had no material or unusual related party or share-based payment transactions during the half-year to 30 June 2007. Related party and share-based transactions for the half-year to 30 June 2007 are similar in nature to those for the year ended 31 December 2006. No significant events, other than those disclosed within this document, have occurred between 30 June 2007 and the date of approval of these interim results. A variety of contingent liabilities and commitments arise in the ordinary course of the Group's banking business; there has been no significant change in the volume or nature of such transactions during the half-year to 30 June 2007. Full details of the Group's related party transactions for the year to 31 December 2006, share-based payment schemes and contingent liabilities and commitments can be found in the Group's 2006 Annual Report and Accounts.

The following pronouncements relevant to the Group are applicable for the year ending 31 December 2007; these pronouncements do not apply to interim financial statements and have not been applied in preparing these financial statements but will be applied in the financial statements for the year ending 31 December 2007.

Pronouncement	Nature of change	Effective date
IFRS 7 Financial Instruments: Disclosures	Consolidates the current financial instruments disclosures into a single standard and requires more detailed qualitative and quantitative disclosures about exposure to risks arising from financial instruments.	Annual periods beginning on or after 1 January 2007
Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures	Introduces additional disclosures of the objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, and compliance with capital requirements.	Annual periods beginning on or after 1 January 2007

2. Volatility

Banking volatility

Since the introduction of IFRS in 2005, in order to provide a clearer view of the underlying performance of the business, the Group has separately disclosed within Central group items the effects of marking-to-market derivatives held for risk management purposes. This amount, net of the effect of the Group's IAS 39 compliant hedge accounting relationships, was previously disclosed as banking volatility.

The use of fair values in financial reporting is now more widespread and there is a better understanding of their effects; consequently, in line with evolving best practice, the Group no longer considers it appropriate to disclose banking volatility separately. Divisions will continue to transfer to Group Corporate Treasury (included in Central group items) the movements in the market value of hedging derivatives where the impact is not locally managed.

Insurance volatility

The Group's insurance businesses have liability products that are supported by substantial holdings of investments, including equities, property and fixed interest investments, all of which have a volatile fair value. The value of the liabilities does not move exactly in line with changes in the fair value of the investments, yet IFRS requires that the changes in both the value of the liabilities and investments be reflected within the income statement. As these investments are substantial and movements in their fair value can have a significant impact on the profitability of the Insurance and Investments division, management believes that it is appropriate to disclose the division's results on the basis of an expected return in addition to the actual return. The difference between the actual return on these investments and the expected return based upon economic assumptions made at the beginning of the period is included within insurance volatility.

Changes in market variables also affect the realistic valuation of the guarantees and options embedded within products written in the Scottish Widows With Profit Fund, the value of the in-force business and the value of shareholders' funds. Fluctuations in these values caused by changes in market variables are also included within insurance volatility.

The expected investment returns used to determine the normalised profit of the business, which are based on prevailing market rates and published research into historic investment return differentials, are set out below:

	2007	2006
	%	%
Gilt yields (gross)	4.62	4.12
Equity returns (gross)	7.62	6.72
Dividend yield	3.00	3.00
Property return (gross)	7.62	6.72
Corporate bonds (gross)	5.22	4.72

During the six months to 30 June 2007, profit before tax included positive insurance volatility of £41 million, being a credit of £2 million to net interest income and a credit of £39 million to other income (2006H1: negative volatility of £61 million, being a charge to other income; 2006H2: positive volatility of £145 million, being a credit of £2 million to net interest income and a credit of £143 million to other income). Although equity values continued to rise in the first half of 2007, this was less marked than in the second half of last year.

2. Volatility (continued)**Policyholder interests volatility**

As a result of the requirement under IFRS to consolidate the Group's life and pensions businesses on a line-by-line basis, the Group's income statement includes amounts attributable to policyholders which affect profit before tax; the most significant of these items is policyholder tax.

Under IFRS, tax on policyholder investment returns is required to be included in the Group's tax charge rather than being offset against the related income, as it is in actual distributions made to policyholders. The impact is, therefore, to either increase or decrease profit before tax with a corresponding change in the tax charge. Other items classified within policyholder interests volatility include the effects of investment vehicles which are only majority owned by the long-term assurance funds. In the case of these vehicles, the Group's profit for the period includes the minorities' share of the profits earned. As these amounts do not accrue to the equity holders, management believes a clearer representation of the underlying performance of the Group's life and pensions businesses is presented by excluding policyholder interests volatility.

During the six months to 30 June 2007, profit before tax included negative policyholder interests volatility of £58 million, being a charge to other income (2006H1: positive volatility of £90 million, being a credit to other income; 2006H2: positive volatility of £236 million, being a charge of £33 million to net interest income and a credit of £269 million to other income). In the first half of 2007, substantial policyholder tax losses have been generated as a result of a fall in gilt and bond values. These losses reduce future policyholder tax liabilities and have led to a policyholder tax credit during the period.

3. Mortgage lending

	Half-year to 30 June 2007	Half-year to 30 June 2006	Half-year to 31 December 2006
Gross new mortgage lending	£16.0bn	£13.0bn	£14.6bn
Market share of gross new mortgage lending	9.0%	8.1%	7.9%
Redemptions	£11.2bn	£9.6bn	£11.1bn
Market share of redemptions	9.1%	8.8%	8.8%
Net new mortgage lending	£4.8bn	£3.4bn	£3.5bn
Market share of net new mortgage lending	8.9%	6.7%	5.9%
Mortgages outstanding (period-end)*	£100.1bn	£91.8bn	£95.3bn
Market share of mortgages outstanding	8.8%	9.0%	8.8%

*excluding the effect of IFRS related adjustments in order to conform with industry statistics.

In Cheltenham & Gloucester, the average indexed loan-to-value ratio on the mortgage portfolio was 44 per cent (31 December 2006: 44 per cent), and the average loan-to-value ratio for new mortgages and further advances written during the first half of 2007 was 63 per cent (2006 first half: 64 per cent). At 30 June 2007, only 0.6 per cent of balances had an indexed loan-to-value ratio in excess of 95 per cent (31 December 2006: 0.6 per cent).

4. Group net interest income

	Half-year to 30 June 2007 £m	Half-year to 30 June 2006 £m	Half-year to 31 December 2006 £m
Banking margin			
Net interest income	2,572	2,519	2,603
Average interest-earning assets, excluding reverse repos	180,891	167,610	173,825
Net interest margin	2.87%	3.03%	2.97%
Statutory basis			
Net interest income	2,940	2,794	2,743
Average interest-earning assets, excluding reverse repos	244,463	220,710	233,168
Net interest margin	2.43%	2.55%	2.33%

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 addition, the Group's net interest margin is significantly affected by the accounting treatment of a number of Products and Markets and other products, principally those where funding costs are treated as an interest expense and related revenues are recognised within other income. In order to enhance comparability in the Group's banking net interest margin these items have been excluded in determining both net interest income and average interest-earning assets.

A reconciliation of banking net interest income to Group net interest income follows:

	Half-year to 30 June 2007 £m	Half-year to 30 June 2006 £m	Half-year to 31 December 2006 £m
Banking net interest income	2,572	2,519	2,603
Products and Markets, and other products	240	240	128
Volatility	2	-	(31)
Insurance grossing adjustment	126	35	43
Group net interest income	2,940	2,794	2,743

5. Other income

	Half-year to 30 June 2007 £m	Half-year to 30 June 2006 £m	Half-year to 31 December 2006 £m
Fee and commission income:			
UK current account fees	345	320	332
Other UK fees and commissions	602	590	620
Insurance broking	335	293	336
Card services	250	247	246
International fees and commissions	65	68	64
	1,597	1,518	1,598
Fee and commission expense	(395)	(430)	(416)
Net fee and commission income	1,202	1,088	1,182
Net trading income	2,408	1,187	4,794
Insurance premium income	2,535	2,329	2,390
Other operating income	645	401	324
Total other income*	6,790	5,005	8,690
Insurance claims	(4,121)	(2,639)	(5,930)
Total other income, net of insurance claims*	2,669	2,366	2,760
Volatility			
- Insurance	39	(61)	143
- Policyholder interests	(58)	90	269
Total other income, net of insurance claims	2,650	2,395	3,172

*excluding volatility. For statutory reporting purposes, volatility totalling £(19) million in the first half of 2007 (2006H1: £29 million; 2006H2: £412 million) is included in total other income; comprising net trading income of £(42) million (2006H1: £7 million; 2006H2: £353 million) and other operating income of £23 million (2006H1: £22 million; 2006H2: £59 million).

6. General insurance income

	Half-year to 30 June 2007 £m	Half-year to 30 June 2006 £m	Half-year to 31 December 2006 £m
Premium income from underwriting			
Creditor	84	92	88
Home	216	213	211
Health	5	7	6
Reinsurance premiums	(11)	(10)	(7)
	294	302	298
Commissions from insurance broking			
Creditor	219	163	214
Home	22	21	26
Health	7	6	7
Other	87	103	89
	335	293	336

7. Operating expenses

	Half-year to 30 June 2007 £m	Half-year to 30 June 2006 £m	Half-year to 31 December 2006 £m
Administrative expenses:			
Staff:			
Salaries	1,049	1,030	1,087
National insurance	84	80	81
Pensions			
- Before pension schemes related credit	125	140	153
- Pension schemes related credit	-	-	(128)
	125	140	25
Other staff costs	160	156	142
	1,418	1,406	1,335
Premises and equipment:			
Rent and rates	154	154	156
Hire of equipment	7	7	8
Repairs and maintenance	79	78	87
Other	74	70	79
	314	309	330
Other expenses:			
Communications and external data processing	247	232	267
Advertising and promotion	104	89	95
Professional fees	122	100	131
Settlement of overdraft claims	36	-	-
Other	207	171	217
	716	592	710
Administrative expenses	2,448	2,307	2,375
Depreciation and amortisation	312	303	316
Total operating expenses	2,760	2,610	2,691
Cost:income ratio - statutory basis*	49.4%	50.3%	45.5%
Cost:income ratio - excluding volatility and the settlement of overdraft claims*	48.6%	50.6%	50.9%

*total operating expenses divided by total income, net of insurance claims. The ratio excluding volatility for the half-year to 31 December 2006 also excludes the £128 million pension schemes related credit.

8. Number of employees (full-time equivalent)

	30 June 2007	30 June 2006	31 December 2006
UK Retail Banking	30,528	31,609	30,204
Insurance and Investments	5,879	6,009	5,714
Wholesale and International Banking	19,145	19,356	19,210
Other, largely IT and Operations	10,460	11,289	10,371
	66,012	68,263	65,499
Agency staff (full time equivalent))	(3,681)	(3,096)	(2,869)
Total number of employees (full time equivalent)	62,331	65,167	62,630

9. Impairment losses on loans and advances

	Half-year to 30 June 2007 £m	Half-year to 30 June 2006 £m	Half-year to 31 December 2006 £m
Impairment losses on loans and advances (see below)	839	801	759
Other credit risk provisions	(2)	(1)	(4)
	837	800	755

Impairment losses on loans and advances

UK Retail Banking

Personal loans/overdrafts	352	387	353
Credit cards	270	239	251
Mortgages	5	6	2
	627	632	606
Wholesale and International Banking	212	160	153
Central group items	-	9	-
Total charge	839	801	759

Charge as % of average lending (annualised):

Personal loans/overdrafts	5.60	6.18	5.52
Credit cards	8.14	6.78	7.20
Mortgages	0.01	0.01	-
UK Retail Banking	1.15	1.23	1.13
Wholesale and International Banking	0.50	0.43	0.36
Total charge	0.84	0.88	0.77

10. Retirement benefit obligations

The recognised liability has reduced by £130 million, from £2,462 million at 31 December 2006 to £2,332 million at 30 June 2007, as contributions to the Group's defined benefit schemes exceeded the regular cost.

11. Capital ratios

	30 June 2007 £m	30 June 2006 £m	31 December 2006 £m
Capital			
Core tier 1			
Share capital and reserves	11,373	10,157	11,155
Regulatory post-retirement benefit adjustments	977	1,294	1,041
Other items	64	66	39
Perpetual non-cumulative preference shares			
Preference share capital	1,588	538	1,610
Innovative tier 1			
Innovative tier 1 capital instruments [†]	1,374	1,921	1,372
Less: restriction in amount eligible	-	(223)	-
Deductions from tier 1			
Available-for-sale revaluation reserve and cash flow hedging reserve	(28)	(54)	(12)
Goodwill	(2,377)	(2,377)	(2,377)
Total tier 1 capital	12,971	11,322	12,828
Tier 2			
Undated loan capital	4,364	4,480	4,390
Dated loan capital	3,453	3,787	3,624
Innovative capital restricted from tier 1	-	223	-
Collectively assessed provisions	2,009	1,911	1,951
Available-for-sale revaluation reserve in respect of equities	11	29	-
Total tier 2 capital	9,837	10,430	9,965
	22,808	21,752	22,793
Supervisory deductions			
Life and pensions businesses	(5,165)	(5,441)	(5,368)
Other deductions	(922)	(633)	(790)
Total supervisory deductions	(6,087)	(6,074)	(6,158)
Total capital	16,721	15,678	16,635
Risk-weighted assets	£bn	£bn	£bn
UK Retail Banking	59.6	61.6	59.1
Insurance and Investments	3.1	3.2	3.1
Wholesale and International Banking	96.1	86.5	91.8
Central group items	1.9	1.6	2.0
Total risk-weighted assets	160.7	152.9	156.0
Risk asset ratios			
Total tier 1	8.1%	7.4%	8.2%
Total tier 1, excluding innovative capital instruments [†]	7.2%	6.3%	7.3%
Total capital	10.4%	10.3%	10.7%
	Half-year to 30 June 2007	Half-year to 30 June 2006	Half-year to 31 December 2006
Post-tax return on average risk-weighted assets	1.98%	1.65%	2.11%
Post-tax return on average risk-weighted assets*	1.93%	1.66%	1.78%

*excluding volatility and, in the second half of 2006, pension schemes related credit.

[†]a firm is permitted to include innovative tier 1 capital in its tier 1 capital resources for the purposes of GENPRU1.2 (adequacy of financial resources) but is required to exclude these amounts from tier 1 for the purposes of meeting the main BIPRU firm Pillar 1 rules. Accordingly, the Group has provided its tier 1 capital ratio both including and excluding these amounts.

12. Balance sheet information

	30 June 2007 £m	30 June 2006 £m	31 December 2006 £m
Deposits - customer accounts			
Sterling:			
Non-interest bearing current accounts	3,610	3,651	3,739
Interest bearing current accounts	42,426	40,687	40,906
Savings and investment accounts	66,436	62,322	64,380
Other customer deposits	19,059	16,808	19,134
Total sterling	131,531	123,468	128,159
Currency	13,123	12,997	11,183
Total deposits - customer accounts	144,654	136,465	139,342
Loans and advances to customers			
Agriculture, forestry and fishing	2,928	2,297	2,905
Energy and water supply	2,258	1,905	2,024
Manufacturing	8,023	7,421	7,513
Construction	2,548	2,407	2,332
Transport, distribution and hotels	10,970	10,706	10,490
Postal and communications	924	753	831
Property companies	16,062	11,043	12,896
Financial, business and other services	26,082	21,741	22,999
Personal : mortgages	100,140	92,029	95,601
: other	22,473	22,980	23,025
Lease financing	4,948	5,879	4,802
Hire purchase	5,063	5,160	5,060
	202,419	184,321	190,478
Allowance for impairment losses on loans and advances	(2,238)	(2,164)	(2,193)
Total loans and advances to customers	200,181	182,157	188,285

Total loans and advances to customers in our international businesses totalled £5,635 million (30 June 2006: £5,494 million; 31 December 2006: £5,589 million).

13. Total assets by division

	30 June 2007	30 June 2006	31 December 2006
	£m	£m	£m
UK Retail Banking	112,705	105,726	108,381
Insurance and Investments	88,183	82,636	86,074
Wholesale and International Banking	151,371	136,157	147,836
Central group items	836	1,248	1,307
Total assets	353,095	325,767	343,598

14. Economic profit

	Half-year to 30 June 2007	Half-year to 30 June 2006	Half-year to 31 December 2006
	£m	£m	£m
Statutory basis			
Average shareholders' equity	11,504	10,417	10,643
Profit attributable to equity shareholders	1,540	1,214	1,589
Less: notional charge	(513)	(465)	(483)
Economic profit	1,027	749	1,106
Excluding volatility and, in the second half of 2006, pension schemes related credit			
Average shareholders' equity	11,305	10,390	10,578
Profit attributable to equity shareholders	1,513	1,236	1,398
Less: notional charge	(505)	(464)	(480)
Economic profit	1,008	772	918

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 (2006: 9 per cent).

15. Earnings per share

	Half-year to 30 June 2007	Half-year to 30 June 2006	Half-year to 31 December 2006
Statutory basis			
Basic			
Profit attributable to equity shareholders	£1,540m	£1,214m	£1,589m
Weighted average number of ordinary shares in issue	5,634m	5,602m	5,630m
Earnings per share	27.3p	21.7p	28.2p
Fully diluted			
Profit attributable to equity shareholders	£1,540m	£1,214m	£1,589m
Weighted average number of ordinary shares in issue	5,685m	5,655m	5,679m
Earnings per share	27.1p	21.5p	28.0p
Excluding volatility and, in the second half of 2006, pension schemes related credit			
Profit attributable to equity shareholders	£1,513m	£1,236m	£1,398m
Weighted average number of ordinary shares in issue	5,634m	5,602m	5,630m
Earnings per share	26.9p	22.1p	24.8p

16. Scottish Widows - realistic balance sheet information

Financial Services Authority (FSA) returns for large with-profits companies include realistic balance sheet information. The information included in FSA returns concentrates on the position of the With Profit Fund. However, under the Scottish Widows demutualisation structure, which was court approved, the fund is underpinned by certain assets outside the With Profit 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. The estimated position at 30 June 2007 is shown below, together with the actual position at 31 December 2006.

30 June 2007 (estimated)	With Profit Fund £bn	Long Term Fund £bn
Available assets, including support arrangement assets	18.8	21.9
Realistic value of liabilities	(17.6)	(17.7)
Working capital for fund	1.2	4.2
Working capital ratio	6.2%	19.1%
31 December 2006	With Profit Fund £bn	Long Term Fund £bn
Available assets, including support arrangement assets	19.4	22.3
Realistic value of liabilities	(18.3)	(18.3)
Working capital for fund	1.1	4.0
Working capital ratio	5.8%	17.9%

The Risk Capital Margin (RCM) is the capital buffer that the FSA requires to be held to cover prescribed adverse shocks. At 30 June 2007, the RCM was estimated to be £53 million for the With Profit Fund and £79 million for the Long Term Fund (covered 22 times and 53 times respectively by the working capital for the fund). At 31 December 2006, the RCM was £57 million for the With Profit Fund and £84 million for the Long Term Fund (covered 20 times and 47 times respectively).

17. European Embedded Value reporting - results for half-year to 30 June 2007

This section provides further details of the Scottish Widows EEV financial information.

Composition of EEV balance sheet

	30 June 2007	30 June 2006	31 December 2006
	£m	£m	£m
Value of in-force business (certainty equivalent)	3,512	3,489	3,220
Value of financial options and guarantees	(57)	(149)	(56)
Cost of capital	(244)	(293)	(248)
Non-market risk	(80)	(72)	(75)
Total value of in-force business	3,131	2,975	2,841
Shareholders' net assets	3,231	3,461	3,572
Total EEV of covered business	6,362	6,436	6,413

Reconciliation of opening EEV balance sheet to closing EEV balance sheet on covered business

	Shareholders' net assets	Value of in-force business	Total
	£m	£m	£m
As at 1 January 2006	3,445	2,941	6,386
Total profit after tax	222	34	256
Dividends	(206)	-	(206)
As at 30 June 2006	3,461	2,975	6,436
Total profit (loss) after tax	651	(134)	517
Dividends	(540)	-	(540)
As at 31 December 2006	3,572	2,841	6,413
Total profit after tax	247	290	537
Dividends	(588)	-	(588)
As at 30 June 2007	3,231	3,131	6,362

Analysis of shareholders' net assets on an EEV basis on covered business

	Required capital	Free surplus	Shareholders' net assets
	£m	£m	£m
As at 1 January 2006	2,393	1,052	3,445
Total profit after tax	56	166	222
Dividends	-	(206)	(206)
As at 30 June 2006	2,449	1,012	3,461
Total profit (loss) after tax	(242)	893	651
Dividends	-	(540)	(540)
As at 31 December 2006	2,207	1,365	3,572
Total profit (loss) after tax	(12)	259	247
Dividends	-	(588)	(588)
As at 30 June 2007	2,195	1,036	3,231

17. European Embedded Value reporting - results for half-year to 30 June 2007 (continued)**Summary income statement on an EEV basis**

	Half-year to 30 June 2007 £m	Half-year to 30 June 2006 £m	Half-year to 31 December 2006 £m
New business profit	180	165	181
Existing business profit			
- Expected return	174	206	197
- Experience variances	23	(5)	74
- Assumption changes	(3)	(20)	(113)
	194	181	158
Expected return on shareholders' net assets	108	84	83
Profit before tax, excluding volatility and other items*	482	430	422
Volatility	44	(78)	254
Other items*	38	14	62
Total profit before tax	564	366	738
Attributed shareholder tax	(169)	(110)	(221)
Impact of Corporation tax rate change	142	-	-
Total profit after tax	537	256	517

*other items represent amounts not considered attributable to the underlying performance of the business; primarily intra-Group transfers of OEICs together with, in the second half of 2006, the benefits of the FSA's Policy Statement 06/14.

17. European Embedded Value reporting - results for half-year to 30 June 2007 (continued)**Breakdown of income statement between life and pensions, and OEICs**

Half-year to 30 June 2007	Life and pensions	OEICS	Total
	£m	£m	£m
New business profit	141	39	180
Existing business			
- Expected return	150	24	174
- Experience variances	11	12	23
- Assumption changes	(40)	37	(3)
	121	73	194
Expected return on shareholders' net assets	104	4	108
Profit before tax*	366	116	482
New business margin (PVNBP)	3.6%	2.6%	3.4%
Post-tax return on embedded value*			10.7%
Half-year to 30 June 2006	Life and pensions	OEICS	Total
	£m	£m	£m
New business profit	130	35	165
Existing business			
- Expected return	181	25	206
- Experience variances	(22)	17	(5)
- Assumption changes	(28)	8	(20)
	131	50	181
Expected return on shareholders' net assets	80	4	84
Profit before tax*	341	89	430
New business margin (PVNBP)	3.8%	2.3%	3.3%
Post-tax return on embedded value*			9.5%
Half-year to 31 December 2006	Life and pensions	OEICS	Total
	£m	£m	£m
New business profit	157	24	181
Existing business			
- Expected return	180	17	197
- Experience variances	57	17	74
- Assumption changes	(101)	(12)	(113)
	136	22	158
Expected return on shareholders' net assets	80	3	83
Profit before tax*	373	49	422
New business margin (PVNBP)	4.4%	2.0%	3.8%
Post-tax return on embedded value*			9.1%

*excluding volatility and other items.

17. European Embedded Value reporting - results for half-year to 30 June 2007 (continued)**Economic assumptions**

A bottom up approach is used to determine the economic assumptions for valuing the business in order to determine a market consistent valuation.

The risk-free rate assumed in valuing in-force business is 10 basis points over the 15 year gilt yield. In valuing financial options and guarantees the risk-free rate is derived from gilt yields plus 10 basis points, in line with Scottish Widows' FSA realistic balance sheet assumptions. The table below shows the range of resulting yields and other key assumptions.

	30 June 2007	30 June 2006	31 December 2006
	%	%	%
Risk-free rate (value of in-force)	5.44	4.77	4.72
Risk-free rate (financial options and guarantees)	4.39 to 6.29	4.11 to 4.94	3.91 to 5.41
Retail price inflation	3.44	3.08	3.23
Expense inflation	4.34	3.98	4.13

Non-market risk

An allowance for non-market risk is made through the choice of best estimate assumptions based upon experience, which generally will give the mean expected financial outcome for shareholders and hence no further allowance for non-market risk is required. However, in the case of operational risk and the With Profit Fund these are asymmetric in the range of potential outcomes for which an explicit allowance is made.

Non-economic assumptions

Future mortality, morbidity, lapse and paid-up rate assumptions are reviewed each year and are based on an analysis of past experience and on management's view of future experience. These assumptions are intended to represent a best estimate of future experience.

For OEIC business, the lapse assumption is based on experience which has been collected over a 20 month period. To recognise that this is a shorter period than that normally available for life and pensions business, and that this period has coincided with favourable investment conditions, management have used a best estimate of the long-term lapse assumption which is higher than indicated by this 20 month experience. In management's view, the approach and lapse assumption are both reasonable.

18. Scottish Widows - weighted sales (Annual Premium Equivalent)

	Half-year to 30 June 2007	Half-year to 30 June 2006	Half-year to 31 December 2006
	£m	£m	£m
Weighted sales (regular + 1/10 single)			
Life and pensions:			
Savings and investments	50	73	55
Protection	60	24	25
Individual pensions	143	139	131
Corporate and other pensions	167	157	165
Retirement income	51	41	57
Managed fund business	34	18	17
Life and pensions	505	452	450
OEICs	160	162	128
Life, pensions and OEICs	665	614	578
Bancassurance	239	210	193
Independent financial advisers	370	369	345
Direct	56	35	40
Life, pensions and OEICs	665	614	578

19. Taxation

Under IFRS the Group is required to include in income tax expense the tax attributable to UK life insurance policyholder earnings and its interests in Open-ended Investment Companies (OEICs).

The effective tax rate of the Group, excluding the gross policyholder and OEIC interests from profit before tax and the tax charge and, in 2007, excluding the £89 million credit arising from the UK corporation tax rate change from the tax charge, was 28.3 per cent (2006 first half: 27.7 per cent) compared to the standard UK corporation tax rate of 30 per cent. The effective tax rate including policyholder and OEIC interests and, in 2007, the £89 million credit arising from the UK corporation tax rate change was 21.7 per cent, compared to 30.5 per cent in the first half of 2006.

The 2007 Finance Act reduction in the corporation tax rate from 30 per cent to 28 per cent has resulted in a one-off impairment charge relating to a reduction in future rental income within the Group's leasing business of £28 million, as a result of the triggering of relevant tax variation clauses. In addition, the Group's deferred tax liabilities have been remeasured resulting in a credit to the Group's tax charge of £89 million. Both of these are one-off adjustments in the income statement in 2007 and give rise to a net increase in shareholders' equity of £70 million. The future impact of the reduction in capital allowances from 25 per cent to 20 per cent will not be material for the Group.

19. Taxation (continued)

A reconciliation of the charge that would result from applying the standard UK corporation tax rate to profit before tax to the tax charge, including policyholder and OEIC interests and, in 2007, the £89 million credit arising from the UK corporation tax rate change, is given below:

	Half-year to 30 June 2007 £m	Half-year to 30 June 2006 £m	Half-year to 31 December 2006 £m
Profit before tax	<u>1,993</u>	<u>1,779</u>	<u>2,469</u>
Tax charge thereon at UK corporation tax rate of 30%	598	534	740
Factors affecting charge:			
Disallowed and non-taxable items	(3)	(30)	22
Overseas tax rate differences	(5)	(8)	6
Net tax effect of disposals and unrealised gains	(36)	(11)	(67)
Policyholder and OEIC interests	(42)	49	90
Corporation tax rate change	(89)	-	-
Other items	10	9	7
Tax charge	<u>433</u>	<u>543</u>	<u>798</u>

20. Dividend

An interim dividend for 2007 of 11.2p (2006: 10.7p), representing an increase of 5 per cent, will be paid on 3 October 2007. The total amount of this dividend is £632 million.

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	8 August 2007
Record date	10 August 2007
Final date for joining or leaving the dividend reinvestment plan	5 September 2007
Interim dividend paid	3 October 2007

On 2 May 2007, a final dividend for 2006 of 23.5p per share was paid to shareholders. This dividend totalled £1,325 million.

21. Other information

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 2006 were delivered to the Registrar of Companies following publication on 31 March 2007. 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
Email: michael.oliver@ltsb-finance.co.uk

Mary Walsh
Director of Corporate Relations
Lloyds TSB Group plc
020 7356 2121
Email: 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.

Registered office: Lloyds TSB Group plc, Henry Duncan House, 120 George Street, Edinburgh, EH2 4LH.
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