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LLOYDS TSB GROUP PLC
Form 6-K
July 31, 2007

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

31 July, 2007

LLOYDS TSB GROUP plc
(Translation of registrant's name into English)

5th Floor
25 Gresham Street
London
EC2V 7HN
United Kingdom

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F..X..Form 40-F.....

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

YesNo ..X..

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- _____

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Item

No. 1 Regulatory News Service Announcement, dated 31 July, 2007
re: Interim Results

Lloyds TSB Group plc

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Results for half-year
to 30 June 2007

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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

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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 GBP2,010 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 GBP1,993 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.

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SUMMARY OF RESULTS

	Half-year to 30 June 2007 GBPm	Half-year to 30 June 2006 GBPm	Change %	Half-year to 31 December 2006 GBPm
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	GBP31.4bn	GBP29.9bn	5	GBP32.2bn
Proposed dividend per share (page 49, note 20)	11.2p	10.7p	5	23.5p
	30 June 2007 GBPm	30 June 2006 GBPm	Change %	31 December 2006 GBPm
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%

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*results for the half-year to 31 December 2006 also exclude the GBP128 million pension schemes related credit.

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PROFIT ANALYSIS BY DIVISION

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

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GROUP CHIEF EXECUTIVE'S STATEMENT

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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

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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.

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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 GBP0.6 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

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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 GBP2.3 billion of dividends to Group over the past three years.

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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

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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 GBP37 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

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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 GBP1,993 million, an increase of GBP214 million, or 12 per cent. Profit attributable to equity shareholders increased by GBP326 million, or 27 per cent, to GBP1,540 million and earnings per share increased by 26 per cent to 27.3p. Economic profit increased by 37 per cent to GBP1,027 million, and the post-tax return on equity improved from 23.5 per cent to 27.0 per cent.

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Accelerating earnings momentum

Profit before tax, excluding volatility, increased by GBP260 million, or 15 per cent, to GBP2,010 million, underpinned by strong profit momentum in all divisions, and notwithstanding the impact of a GBP28 million impairment charge relating to a change in the rate of corporation tax and a GBP36 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 GBP1,008 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 GBP5,585 million.

Group net interest income, excluding volatility and insurance grossing, increased by GBP53 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 GBP353 billion, with a 10 per cent increase in loans and advances to customers. Customer deposits increased by 6 per cent to GBP145 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 GBP380 million, or 16 per cent, to GBP2,773 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 GBP57 million, of which GBP45 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 GBP419 million, whilst on an EEV basis profit before tax, excluding volatility, was GBP482 million. Similarly, the embedded value on an IFRS basis at 30 June 2007 was GBP5,165 million, compared to embedded value on an EEV basis of GBP6,362 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 GBP2,760 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 GBP72 million, with gross benefits of GBP114 million and reinvestment in further programme initiatives of GBP42 million. The Group remains on track to deliver net annual benefits of approximately GBP125 million in 2007, and GBP250 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 GBP36 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 GBP837

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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 GBP4,049 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 GBP5 million, or 1 per cent, to GBP627 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.

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The Wholesale and International Banking charge for impairment losses on loans and advances increased by GBP51 million to GBP210 million, including a one-off charge of GBP28 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 GBP161 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 GBP1.9 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 GBP0.6 billion was made to the Group, bringing the total capital repatriation since the beginning of 2005 to GBP2.3 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 GBP1 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.

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During the first half of the year, the Group's pension schemes accounting deficit reduced by GBP130 million, to GBP2,332 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 GBP1.6 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 GBP28 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 GBP89 million. The net impact of these items has been to increase earnings attributable to shareholders by GBP70 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 GBP550 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 GBP440 million (tax: nil) will be recognised in the income statement of Lloyds TSB Group for the year ending 31 December 2007.

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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

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SUMMARISED SEGMENTAL ANALYSIS

Half-year to 30 June 2007	UK Retail Banking GBPm	Insurance and Investments** GBPm	Wholesale and International Banking GBPm	Central group items GBPm	Group excluding insurance gross up GBPm	Insuran gross up GB
Net interest income	1,844	27	1,275	(334)	2,812	1
Other income	883	937	923	182	2,925	3,8
Total income	2,727	964	2,198	(152)	5,737	3,9
Insurance claims	-	(152)	-	-	(152)	(3,9
Total income, net of insurance claims	2,727	812	2,198	(152)	5,585	
Operating expenses	(1,297)	(325)	(1,125)	(3)	(2,750)	(
Trading surplus (deficit)	1,430	487	1,073	(155)	2,835	
Impairment losses on loans and advances	(627)	-	(210)	-	(837)	
Profit (loss) before tax*	803	487	863	(155)	1,998	
Volatility						
- Insurance	-	41	-	-	41	
- Policyholder interests	-	-	-	-	-	(
Profit (loss) before tax	803	528	863	(155)	2,039	(
Half-year to 30 June 2006						
Net interest income	1,794	28	1,194	(257)	2,759	3
Other income	783	832	805	68	2,488	2,51
Total income	2,577	860	1,999	(189)	5,247	2,55
Insurance claims	-	(95)	-	-	(95)	(2,54
Total income, net of insurance claims	2,577	765	1,999	(189)	5,152	
Operating expenses	(1,232)	(312)	(1,072)	1	(2,615)	
Trading surplus (deficit)	1,345	453	927	(188)	2,537	1
Impairment losses on loans and advances	(632)	-	(159)	(9)	(800)	

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Profit (loss) before tax*	713	453	768	(197)	1,737	1
Volatility						
- Insurance	-	(61)	-	-	(61)	9
- Policyholder interests	-	-	-	-	-	10
Profit (loss) before tax	713	392	768	(197)	1,676	

* 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.

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SUMMARISED SEGMENTAL ANALYSIS (continued)

Half-year to 31 December 2006	UK Retail Banking GBPm	Insurance and Investments** GBPm	Wholesale and International Banking GBPm	Central group items GBPm	Group excluding insurance gross up GBPm	Insuran gross up GB
Net interest income	1,848	28	1,191	(336)	2,731	
Other income	838	908	1,022	133	2,901	5,7
Total income	2,686	936	2,213	(203)	5,632	5,8
Insurance claims	-	(105)	-	-	(105)	(5,8
Total income, net of insurance claims	2,686	831	2,213	(203)	5,527	
Operating expenses	(1,244)	(334)	(1,192)	(52)	(2,822)	
Trading surplus (deficit)	1,442	497	1,021	(255)	2,705	
Impairment losses on loans and advances	(606)	-	(149)	-	(755)	
Profit (loss) before tax+	836	497	872	(255)	1,950	
Pension schemes related credit	-	-	-	128	128	
Profit (loss) before tax*	836	497	872	(127)	2,078	
Volatility						
- Insurance	-	145	-	-	145	
- Policyholder interests	-	-	-	-	-	2
Profit (loss) before tax	836	642	872	(127)	2,223	2

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

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**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.

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DIVISIONAL PERFORMANCE

UK RETAIL BANKING

	Half-year to 30 June 2007 GBPm	Half-year to 30 June 2006 GBPm	Change %
Net interest income	1,844	1,794	3
Other income	883	783	13
Total income	2,727	2,577	6
Operating expenses			
- Before settlement of overdraft claims	(1,261)	(1,232)	(2)
- Settlement of overdraft claims	(36)	-	
	(1,297)	(1,232)	(5)
Trading surplus	1,430	1,345	6
Impairment losses on loans and advances	(627)	(632)	1
Profit before tax	803	713	13
Cost:income ratio, excluding settlement of overdraft claims	46.2%	47.8%	
Post-tax return on average risk-weighted assets	1.89%	1.65%	
Total assets	GBP112.7bn	GBP105.7bn	
Risk-weighted assets	GBP59.6bn	GBP61.6bn	
Customer deposits	GBP78.0bn	GBP72.5bn	

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 GBP839 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

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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.

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UK RETAIL BANKING (continued)

Profit before tax from UK Retail Banking increased by GBP90 million, or 13 per cent, to GBP803 million, reflecting strong levels of franchise growth, excellent cost management and a broadly flat impairment charge. Total income increased by GBP150 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 GBP839 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

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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 2007 GBPm	30 June 2006 GBPm	Change %
Current account and savings balances			
Bank savings	38,062	34,181	11
C&G deposits	14,502	14,151	2
Wealth management	4,737	4,014	18
UKRB savings	57,301	52,346	9
Current accounts	20,684	20,115	3
Total customer deposits	77,985	72,461	8

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 GBP16.0 billion (2006 first half: GBP13.0 billion). Mortgage balances outstanding increased by 9 per cent to GBP100.1 billion and net new lending totalled GBP4.8 billion, resulting in a market share of net new lending of approximately 8.9 per cent, broadly in line with our stock position.

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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 GBP11.1 billion, and credit card balances totalled GBP6.6 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.

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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 GBP5 million, or 1 per cent, to GBP627 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 GBP1 million to GBP5 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.

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INSURANCE AND INVESTMENTS

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

(EEV basis, page 46, note 17)

Key highlights

- Strong profit performance. Profit before tax increased by 7 per cent to GBP499 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

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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 GBP0.6 billion of capital was repatriated to the Group in the first half of 2007.
- Increased weather related claims of GBP57 million, GBP45 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.

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INSURANCE AND INVESTMENTS (continued)

Scottish Widows Life, pensions and OEICs

Profit before tax increased by GBP84 million, or 25 per cent, to GBP419 million. The effect of surplus capital repatriation to the Group has been to reduce investment earnings by a total of GBP15 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 GBP80 million reflecting higher sales volumes and an improved business mix. Total existing business profit grew by 32 per cent to GBP248 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 GBP103 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.

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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.

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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, GBP0.6 billion of capital was repatriated to the Group, giving a total capital repatriation of over GBP2.3 billion since the beginning of 2005. We continue to explore a number of opportunities to repatriate in excess of GBP1 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 GBPm	Half-year to 30 June 2006 GBPm	Change %
Life and pensions:			
Savings and investments	499	728	(31)
Protection	488	111	340
Individual pensions	1,092	1,152	(5)

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Corporate and other pensions	928	894	4
Retirement income	516	397	30
Managed fund business	344	184	87
Life and pensions	3,867	3,466	12
OEICs	1,505	1,503	
Life, pensions and OEICs	5,372	4,969	8
Single premium business	4,378	3,779	16
Regular premium business	994	1,190	(16)
Life, pensions and OEICs	5,372	4,969	8
Bancassurance	2,138	1,841	16
Independent financial advisers	2,950	2,929	1
Direct	284	199	43
Life, pensions and OEICs	5,372	4,969	8
New business margin (PVNBP)	3.4%	3.3%	

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 GBP2,138 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 GBP2,950 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.

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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
	Life, pensions and OEICs GBPm	Life, pensions and OEICs GBPm	%
New business profit	180	165	9
Existing business			

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- Expected return	174	206	(16)
- Experience variances	23	(5)	
- Assumption changes	(3)	(20)	
	194	181	7
Expected return on shareholders' net assets	108	69	57
Profit before tax, adjusted for capital repatriation*	482	415	16
Impact of surplus capital repatriation to Group	-	15	
Profit before tax*	482	430	12
New business margin (PVNBP)	3.4%	3.3%	
Embedded value (period-end)	GBP6,362m	GBP6,436m	
Post-tax return on embedded value*	10.7%	9.5%	

*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 GBP482 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 GBP180 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 GBP174 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 GBP39 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.

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INSURANCE AND INVESTMENTS (continued)

Scottish Widows Investment Partnership

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Pre-tax profit from Scottish Widows Investment Partnership (SWIP) increased by 24 per cent to GBP21 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 GBP0.5 billion to GBP97.8 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 GBPbn	Half-year to 30 June 2006 GBPbn	Half 31
Opening funds under management	105.7	97.5	
Movement in Retail Funds			
Premiums	6.2	5.9	
Claims	(2.1)	(1.8)	
Surrenders	(2.8)	(2.5)	
Net inflow of business	1.3	1.6	
Investment return, expenses and commission	1.7	0.8	
Net movement	3.0	2.4	
Movement in Institutional Funds			
Lloyds TSB Pension Scheme	(5.7)	-	
Other institutional funds	(0.3)	0.4	
Investment return, expenses and commission	0.5	0.3	
Net movement	(5.5)	0.7	
Dividends and surplus capital repatriation	(0.6)	(0.2)	
Closing funds under management	102.6	100.4	
Managed by SWIP	97.8	97.3	
Managed by third parties	4.8	3.1	
Closing funds under management	102.6	100.4	

During the first half of 2007, the net movement in retail funds, net of expenses and commissions, remained strong at GBP3.0 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 GBP5.7 billion into external passive management.

Including assets under management within our UK Wealth Management and International Private Banking businesses, Groupwide funds under management

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increased by 1 per cent to GBP122 billion.

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INSURANCE AND INVESTMENTS (continued)

General insurance

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

Profit before tax from our general insurance operations decreased by GBP55 million, to GBP59 million, as a result of a GBP57 million increase in weather related claims, of which GBP45 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 GBP3 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

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portfolio.

Income, net of claims, was GBP54 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 GBP57 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.

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WHOLESALE AND INTERNATIONAL BANKING

	Half-year to 30 June 2007 GBPm	Half-year to 30 June 2006 GBPm	Change %
Net interest income	1,275	1,194	7
Other income	923	805	15
Total income	2,198	1,999	10
Operating expenses	(1,125)	(1,072)	(5)
Trading surplus	1,073	927	16
Impairment losses on loans and advances	(210)	(159)	(32)
Profit before tax	863	768	12
Cost:income ratio	51.2%	53.6%	
Post-tax return on average risk-weighted assets	1.60%	1.31%	
Total assets	GBP151.4bn	GBP136.2bn	11
Risk-weighted assets	GBP96.1bn	GBP86.5bn	11
Customer deposits	GBP64.4bn	GBP61.6bn	5
Profit before tax by business unit			
Corporate Markets	565	461	23
Commercial Banking	216	195	11
Asset Finance	33	63	(48)
International Banking and other businesses	49	49	-
	863	768	12

Key highlights

- Continued strong trading momentum. Substantial increase in trading surplus,

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up 16 per cent to GBP1,073 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 GBP51 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 GBP28 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.

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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 GBP2 million and GBP15 million per annum have moved from Corporate Markets to Business Banking, which has been renamed

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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 GBP95 million, or 12 per cent, to GBP863 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 GBP146 million, or 16 per cent, to GBP1,073 million.

Net interest income increased by GBP81 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 GBP118 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 GBP1,125 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 GBP51 million to GBP210 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 GBP28 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.

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WHOLESALE AND INTERNATIONAL BANKING (continued)

Corporate Markets

	Half-year to 30 June 2007 GBPm	Half-year to 30 June 2006 GBPm	Change %	Hal 31
Net interest income	500	413	21	
Other income	419	314	33	
Total income	919	727	26	

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Operating expenses	(303)	(271)	(12)
Trading surplus	616	456	35
Impairment (losses)/credit on loans and advances			
- Before 2007 Finance Act impact	(23)	5	
- 2007 Finance Act impact	(28)	-	
	(51)	5	
Profit before tax	565	461	23

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 GBP303 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 GBP51 million reflects the lower level of releases and recoveries and the GBP28 million one-off charge relating to the impact of the 2007 Finance Act on the division's leasing business.

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WHOLESALE AND INTERNATIONAL BANKING (continued)

Commercial Banking

	Half-year to 30 June 2007 GBPm	Half-year to 30 June 2006 GBPm	Change %
Net interest income	430	398	8
Other income	208	193	8
Total income	638	591	8
Operating expenses	(375)	(349)	(7)
Trading surplus	263	242	9
Impairment losses on loans and advances	(47)	(47)	
Profit before tax	216	195	11

Profit before tax in Commercial Banking grew by GBP21 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 GBP638 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

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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 GBP47 million.

Asset Finance

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

Profit before tax in Asset Finance decreased by 48 per cent to GBP33 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 GBP36 million, or 8 per cent. Costs were slightly lower and the impairment charge decreased by GBP4 million to GBP111 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.

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CONSOLIDATED INTERIM INCOME STATEMENT - STATUTORY (unaudited)

	Half-year to 30 June 2007 GBPm	Half-year to 30 June 2006 GBPm	
Interest and similar income	8,076	6,756	
Interest and similar expense	(5,136)	(3,962)	
Net interest income	2,940	2,794	
Fee and commission income	1,597	1,518	

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Fee and commission expense	(395)	(430)
Net fee and commission income	1,202	1,088
Net trading income	2,366	1,194
Insurance premium income	2,535	2,329
Other operating income	668	423
Other income	6,771	5,034
Total income	9,711	7,828
Insurance claims	(4,121)	(2,639)
Total income, net of insurance claims	5,590	5,189
Operating expenses	(2,760)	(2,610)
Trading surplus	2,830	2,579
Impairment losses on loans and advances	(837)	(800)
Profit before tax	1,993	1,779
Taxation	(433)	(543)
Profit for the period	1,560	1,236
Profit attributable to minority interests	20	22
Profit attributable to equity shareholders	1,540	1,214
Profit for the period	1,560	1,236
Basic earnings per share	27.3p	21.7p
Diluted earnings per share	27.1p	21.5p
Dividend per share for the period*	11.2p	10.7p
Dividend for the period*	GBP632m	GBP603m

*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).

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CONSOLIDATED INTERIM BALANCE SHEET - STATUTORY (unaudited)

	30 June 2007 GBPm	30 June 2006 GBPm	3
Assets			
Cash and balances at central banks	1,255	1,294	
Items in course of collection from banks	1,727	1,814	
Trading and other financial assets at fair value through profit or loss	68,424	60,803	
Derivative financial instruments	6,640	5,032	
Loans and advances to banks	33,599	34,927	
Loans and advances to customers	200,181	182,157	
Available-for-sale financial assets	21,994	20,221	
Investment property	5,177	4,856	
Goodwill	2,377	2,377	
Value of in-force business	2,890	2,929	

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Other intangible assets	141	50
Tangible fixed assets	3,220	4,281
Other assets	5,470	5,026
Total assets	353,095	325,767
Equity and liabilities		
Deposits from banks	40,017	39,466
Customer accounts	144,654	136,465
Items in course of transmission to banks	727	707
Trading and other liabilities at fair value through profit or loss	2,866	1,543
Derivative financial instruments	6,890	6,068
Debt securities in issue	49,812	39,703
Liabilities arising from insurance contracts and participating investment contracts	41,985	40,215
Liabilities arising from non-participating investment contracts	25,609	22,489
Unallocated surplus within insurance businesses	628	573
Other liabilities	12,072	11,360
Retirement benefit obligations	2,332	2,799
Current tax liabilities	946	449
Deferred tax liabilities	1,236	1,337
Other provisions	233	307
Subordinated liabilities	11,378	11,693
Total liabilities	341,385	315,174
Equity		
Share capital	1,430	1,427
Share premium account	1,284	1,243
Other reserves	371	397
Retained profits	8,288	7,090
Shareholders' equity	11,373	10,157
Minority interests	337	436
Total equity	11,710	10,593
Total equity and liabilities	353,095	325,767

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

	Attributable to equity shareholders			
	Share capital and premium GBPm	Other reserves GBPm	Retained profits GBPm	Minority interests GBPm
Balance at 1 January 2006	2,590	383	7,222	435
Movement in available-for-sale financial assets, net of tax	-	2	-	-
Movement in cash flow hedges, net of tax	-	11	-	-

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Currency translation differences	-	1	(11)	-
Net income recognised directly in equity	-	14	(11)	-
Profit for the period	-	-	1,214	22
Total recognised income for the period	-	14	1,203	22
Dividends	-	-	(1,316)	(17)
Purchase/sale of treasury shares	-	-	(41)	-
Employee share option schemes:				
- value of employee services	-	-	22	-
- proceeds from shares issued	80	-	-	-
Repayment of capital to minority shareholders	-	-	-	(4)
Balance at 30 June 2006	2,670	397	7,090	436
Movement in available-for-sale financial assets, net of tax	-	(33)	-	-
Movement in cash flow hedges, net of tax	-	(10)	-	-
Currency translation differences	-	1	(20)	(4)
Net income recognised directly in equity	-	(42)	(20)	(4)
Profit for the period	-	-	1,589	82
Total recognised income for the period	-	(42)	1,569	78
Dividends	-	-	(603)	(15)
Purchase/sale of treasury shares	-	-	6	-
Employee share option schemes:				
- value of employee services	-	-	43	-
- proceeds from shares issued	25	-	-	-
Repayment of capital to minority shareholders	-	-	-	(147)
Balance at 31 December 2006	2,695	355	8,105	352
Movement in available-for-sale financial assets, net of tax	-	13	-	-
Movement in cash flow hedges, net of tax	-	(2)	-	-
Currency translation differences	-	5	(1)	(1)
Net income recognised directly in equity	-	16	(1)	(1)
Profit for the period	-	-	1,540	20
Total recognised income for the period	-	16	1,539	19
Dividends	-	-	(1,325)	(4)
Purchase/sale of treasury shares	-	-	(36)	-
Employee share option schemes:				
- value of employee services	-	-	5	-
- proceeds from shares issued	19	-	-	-
Repayment of capital to minority shareholders	-	-	-	(30)
Balance at 30 June 2007	2,714	371	8,288	337

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CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT - STATUTORY (unaudited)

Half-year to
30 June 2007
GBPm

Half-year
30 June 2007
GBPm

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Profit before tax	1,993	1,7
Adjustments for:		
Change in operating assets	(4,602)	(10,8
Change in operating liabilities	9,888	17,4
Non-cash and other items	1,081	(2
Tax paid	(394)	(4
Net cash from (used in) operating activities	7,966	7,7
Cash flows from investing activities		
Purchase of available-for-sale financial assets	(12,133)	(12,3
Proceeds from sale and maturity of available-for-sale financial assets	8,946	6,6
Purchase of fixed assets	(874)	(7
Proceeds from sale of fixed assets	388	1
Acquisition of businesses, net of cash acquired	(5)	(
Disposal of businesses, net of cash disposed	(26)	9
Net cash (used in) from investing activities	(3,704)	(5,2
Cash flows from financing activities		
Dividends paid to equity shareholders	(1,325)	(1,3
Dividends paid to minority interests	(4)	(
Interest paid on subordinated liabilities	(342)	(3
Proceeds from issue of subordinated liabilities	-	
Proceeds from issue of ordinary shares	19	
Repayment of subordinated liabilities	(300)	(2
Repayment of capital to minority shareholders	(30)	
Net cash used in financing activities	(1,982)	(1,8
Effects of exchange rate changes on cash and cash equivalents	(9)	(
Change in cash and cash equivalents	2,271	5
Cash and cash equivalents at beginning of period	25,438	26,7
Cash and cash equivalents at end of period	27,709	27,2

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

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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.

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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
	GBPm	GBPm	GBPm	GBPm	GBPm	GBPm
Interest and similar income*	3,755	10	459	469	4,744	(8)
Interest and similar expense*	(1,911)	-	(314)	(314)	(3,469)	5
Net interest income	1,844	10	145	155	1,275	(3)
Other income (net of fee and commission expense)	883	286	4,497	4,783	923	1
Total income	2,727	296	4,642	4,938	2,198	(1)
Insurance claims	-	(152)	(3,969)	(4,121)	-	-
Total income, net of insurance claims	2,727	144	673	817	2,198	(1)
Operating expenses	(1,297)	(79)	(256)	(335)	(1,125)	(1)
Trading surplus (deficit)	1,430	65	417	482	1,073	(1)
Impairment losses on loans and advances	(627)	-	-	-	(210)	-
Profit (loss) before tax	803	65	417	482	863	(1)
External revenue	4,361	639	5,037	5,676	5,089	1
Inter-segment revenue*	441	22	97	119	915	(1,4)
Segment revenue	4,802	661	5,134	5,795	6,004	(1,3)

*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 GBP (1,397) million (2006H1: GBP(1,542) million; 2006H2: GBP(1,699) million); interest and similar expense GBP1,397 million (2006H1: GBP1,542 million; 2006 H2: GBP1,699 million). There is no impact on net interest income. Similarly, Central group items includes inter-segment revenue adjustments of GBP(1,913) million (2006 H1: GBP(1,665) million; 2006 H2: GBP(2,437) million).

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Half-year to 30 June 2006	UK Retail Banking	General insurance	Life, pensions and asset management	Insurance and Investments	Wholesale and International Banking	Cent gr ite
	GBPm	GBPm	GBPm	GBPm	GBPm	G
Interest and similar income*	3,365	12	386	398	3,895	(
Interest and similar expense*	(1,571)	-	(335)	(335)	(2,701)	
Net interest income	1,794	12	51	63	1,194	(
Other income (net of fee and commission expense)	783	280	3,098	3,378	805	
Total income	2,577	292	3,149	3,441	1,999	(
Insurance claims	-	(95)	(2,544)	(2,639)	-	
Total income, net of insurance claims	2,577	197	605	802	1,999	(
Operating expenses	(1,232)	(78)	(229)	(307)	(1,072)	
Trading surplus (deficit)	1,345	119	376	495	927	(
Impairment losses on loans and advances	(632)	-	-	-	(159)	
Profit (loss) before tax	713	119	376	495	768	(
External revenue	3,978	601	3,620	4,221	3,852	
Inter-segment revenue*	319	10	44	54	826	(1,
Segment revenue	4,297	611	3,664	4,275	4,678	(1,

Half-year to 31 December 2006	UK Retail Banking	General insurance	Life, pensions and asset management	Insurance and Investments	Wholesale and International Banking	Cent gr Ite
	GBPm	GBPm	GBPm	GBPm	GBPm	G
Interest and similar income*	3,548	12	434	446	4,911	(1,
Interest and similar expense*	(1,700)	-	(406)	(406)	(3,720)	1,
Net interest income	1,848	12	28	40	1,191	(
Other income (net of fee and commission expense)	838	314	6,795	7,109	1,022	
Total income	2,686	326	6,823	7,149	2,213	(
Insurance claims	-	(105)	(5,825)	(5,930)	-	
Total income, net of insurance claims	2,686	221	998	1,219	2,213	(
Operating expenses	(1,244)	(79)	(252)	(331)	(1,192)	
Trading surplus (deficit)	1,442	142	746	888	1,021	(
Impairment losses on loans and advances	(606)	-	-	-	(149)	
Profit (loss) before tax	836	142	746	888	872	(
External revenue	4,158	648	7,268	7,916	5,015	
Inter-segment revenue*	379	9	155	164	1,450	(1,
Segment revenue	4,537	657	7,423	8,080	6,465	(2,

1	Accounting policies, presentation and estimates
2	Volatility
3	Mortgage lending
4	Group net interest income
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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

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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 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 1 January 2007

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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.

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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 %
Gilt yields (gross)	4.62
Equity returns (gross)	7.62
Dividend yield	3.00
Property return (gross)	7.62
Corporate bonds (gross)	5.22

During the six months to 30 June 2007, profit before tax included positive insurance volatility of GBP41 million, being a credit of GBP2 million to net interest income and a credit of GBP39 million to other income (2006H1: negative volatility of GBP61 million, being a charge to other income; 2006H2: positive volatility of GBP145 million, being a credit of GBP2 million to net interest income and a credit of GBP143 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.

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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 GBP58 million, being a charge to other income (2006H1: positive volatility of GBP90 million, being a credit to other income; 2006H2: positive volatility of GBP236 million, being a charge of GBP33 million to net interest income and a credit of GBP269 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- 31 D
Gross new mortgage lending	GBP16.0bn	GBP13.0bn	GB
Market share of gross new mortgage lending	9.0%	8.1%	
Redemptions	GBP11.2bn	GBP9.6bn	GB
Market share of redemptions	9.1%	8.8%	
Net new mortgage lending	GBP4.8bn	GBP3.4bn	G
Market share of net new mortgage lending	8.9%	6.7%	

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Mortgages outstanding (period-end)*	GBP100.1bn	GBP91.8bn	GB
Market share of mortgages outstanding	8.8%	9.0%	

*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).

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4. Group net interest income	Half-year to 30 June 2007 GBPm	Half-year to 30 June 2006 GBPm
Banking margin		
Net interest income	2,572	2,519
Average interest-earning assets, excluding reverse repos	180,891	167,610
Net interest margin	2.87%	3.03%
Statutory basis		
Net interest income	2,940	2,794
Average interest-earning assets, excluding reverse repos	244,463	220,710
Net interest margin	2.43%	2.55%

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:

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	Half-year to 30 June 2007 GBPm	Half-year to 30 June 2006 GBPm	H
Banking net interest income	2,572	2,519	
Products and Markets, and other products	240	240	
Volatility	2	-	
Insurance grossing adjustment	126	35	
Group net interest income	2,940	2,794	

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5. Other income	Half-year to 30 June 2007 GBPm	Half-year to 30 June 2006 GBPm	Half-
Fee and commission income:			31 D
UK current account fees	345	320	
Other UK fees and commissions	602	590	
Insurance broking	335	293	
Card services	250	247	
International fees and commissions	65	68	
	1,597	1,518	
Fee and commission expense	(395)	(430)	
Net fee and commission income	1,202	1,088	
Net trading income	2,408	1,187	
Insurance premium income	2,535	2,329	
Other operating income	645	401	
Total other income*	6,790	5,005	
Insurance claims	(4,121)	(2,639)	
Total other income, net of insurance claims*	2,669	2,366	
Volatility			
- Insurance	39	(61)	
- Policyholder interests	(58)	90	
Total other income, net of insurance claims	2,650	2,395	

*excluding volatility. For statutory reporting purposes, volatility totalling GBP(19) million in the first half of 2007 (2006H1: GBP29 million; 2006H2: GBP412 million) is included in total other income; comprising net trading income of GBP(42) million (2006H1: GBP7 million; 2006H2: GBP353 million) and other operating income of GBP23 million (2006H1: GBP22 million; 2006H2: GBP59 million).

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6. General insurance income

	Half-year to 30 June 2007 GBPm	Half-year to 30 June 2006 GBPm
Premium income from underwriting		
Creditor	84	92
Home	216	213
Health	5	7
Reinsurance premiums	(11)	(10)
	294	302
Commissions from insurance broking		
Creditor	219	163
Home	22	21
Health	7	6
Other	87	103
	335	293

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7. Operating expenses

	Half-year to 30 June 2007 GBPm	Half-year to 30 June 2006 GBPm
Administrative expenses:		
Staff:		
Salaries	1,049	1,030
National insurance	84	80
Pensions		
- Before pension schemes related credit	125	140
- Pension schemes related credit	-	-
	125	140
Other staff costs	160	156
	1,418	1,406
Premises and equipment:		
Rent and rates	154	154
Hire of equipment	7	7
Repairs and maintenance	79	78
Other	74	70
	314	309
Other expenses:		
Communications and external data processing	247	232
Advertising and promotion	104	89
Professional fees	122	100
Settlement of overdraft claims	36	-
Other	207	171
	716	592
Administrative expenses	2,448	2,307
Depreciation and amortisation	312	303
Total operating expenses	2,760	2,610
Cost:income ratio - statutory basis*	49.4%	50.3%
Cost:income ratio - excluding volatility and the settlement of overdraft claims*	48.6%	50.6%

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*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 GBP128 million pension schemes related credit.

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

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9.	Impairment losses on loans and advances	Half-year to 30 June 2007 GBPm	Half-year to 30 June 2006 GBPm	Half 31
	Impairment losses on loans and advances (see below)	839	801	
	Other credit risk provisions	(2)	(1)	
		837	800	
	Impairment losses on loans and advances			
	UK Retail Banking			
	Personal loans/overdrafts	352	387	
	Credit cards	270	239	
	Mortgages	5	6	
		627	632	
	Wholesale and International Banking	212	160	
	Central group items	-	9	
	Total charge	839	801	
	Charge as % of average lending (annualised):			
	Personal loans/overdrafts	5.60	6.18	
	Credit cards	8.14	6.78	
	Mortgages	0.01	0.01	
	UK Retail Banking	1.15	1.23	
	Wholesale and International Banking	0.50	0.43	

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Total charge	0.84	0.88
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10. Retirement benefit obligations

The recognised liability has reduced by GBP130 million, from GBP2,462 million at 31 December 2006 to GBP2,332 million at 30 June 2007, as contributions to the Group's defined benefit schemes exceeded the regular cost.

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11. Capital ratios

	30 June 2007 GBPm	30 June 2006 GBPm	31
Capital			
Core tier 1			
Share capital and reserves	11,373	10,157	
Regulatory post-retirement benefit adjustments	977	1,294	
Other items	64	66	
Perpetual non-cumulative preference shares			
Preference share capital	1,588	538	
Innovative tier 1			
Innovative tier 1 capital instruments+	1,374	1,921	
Less: restriction in amount eligible	-	(223)	
Deductions from tier 1			
Available-for-sale revaluation reserve and cash flow hedging reserve	(28)	(54)	
Goodwill	(2,377)	(2,377)	
Total tier 1 capital	12,971	11,322	
Tier 2			
Undated loan capital	4,364	4,480	
Dated loan capital	3,453	3,787	
Innovative capital restricted from tier 1	-	223	
Collectively assessed provisions	2,009	1,911	

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Available-for-sale revaluation reserve in respect of equities	11	29	
Total tier 2 capital	9,837	10,430	
	22,808	21,752	
Supervisory deductions			
Life and pensions businesses	(5,165)	(5,441)	
Other deductions	(922)	(633)	
Total supervisory deductions	(6,087)	(6,074)	
Total capital	16,721	15,678	
Risk-weighted assets			
	GBPbn	GBPbn	
UK Retail Banking	59.6	61.6	
Insurance and Investments	3.1	3.2	
Wholesale and International Banking	96.1	86.5	
Central group items	1.9	1.6	
Total risk-weighted assets	160.7	152.9	
Risk asset ratios			
Total tier 1	8.1%	7.4%	
Total tier 1, excluding innovative capital instruments+	7.2%	6.3%	
Total capital	10.4%	10.3%	
	Half-year to	Half-year to	Hal
	30 June	30 June	31
	2007	2006	
Post-tax return on average risk-weighted assets	1.98%	1.65%	
Post-tax return on average risk-weighted assets*	1.93%	1.66%	

*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.

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12. Balance sheet information

	30 June	30 June
	2007	2006
	GBPm	GBPm
Deposits - customer accounts		
Sterling:		

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Non-interest bearing current accounts	3,610	3,651
Interest bearing current accounts	42,426	40,687
Savings and investment accounts	66,436	62,322
Other customer deposits	19,059	16,808
Total sterling	131,531	123,468
Currency	13,123	12,997
Total deposits - customer accounts	144,654	136,465

Loans and advances to customers

Agriculture, forestry and fishing	2,928	2,297
Energy and water supply	2,258	1,905
Manufacturing	8,023	7,421
Construction	2,548	2,407
Transport, distribution and hotels	10,970	10,706
Postal and communications	924	753
Property companies	16,062	11,043
Financial, business and other services	26,082	21,741
Personal : mortgages	100,140	92,029
: other	22,473	22,980
Lease financing	4,948	5,879
Hire purchase	5,063	5,160
	202,419	184,321
Allowance for impairment losses on loans and advances	(2,238)	(2,164)
Total loans and advances to customers	200,181	182,157

Total loans and advances to customers in our international businesses totalled GBP5,635 million (30 June 2006: GBP5,494 million; 31 December 2006: GBP5,589 million).

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13. Total assets by division

	30 June 2007 GBPm	30 Jun 2006 GBPm
UK Retail Banking	112,705	105,721
Insurance and Investments	88,183	82,631
Wholesale and International Banking	151,371	136,151
Central group items	836	1,241
Total assets	353,095	325,761

14. Economic profit

	Half-year to 30 June 2007 GBPm	Half-year to 30 June 2006 GBPm
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Statutory basis

Average shareholders' equity	11,504	10,417
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Profit attributable to equity shareholders	1,540	1,214
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Less: notional charge	(513)	(465)
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Economic profit	1,027	749
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Excluding volatility and, in the second half of 2006, pension schemes related credit

Average shareholders' equity	11,305	10,390
------------------------------	--------	--------

Profit attributable to equity shareholders	1,513	1,236
--	-------	-------

Less: notional charge	(505)	(464)
-----------------------	-------	-------

Economic profit	1,008	772
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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).

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15. Earnings per share

	Half-year to 30 June 2007	Half-year to 30 Jun 2006
Statutory basis		

Basic

Profit attributable to equity shareholders	GBP1,540m	GBP1,214m
--	-----------	-----------

Weighted average number of ordinary shares in issue	5,634m	5,602m
---	--------	--------

Earnings per share	27.3p	21.7p
--------------------	-------	-------

Fully diluted

Profit attributable to equity shareholders	GBP1,540m	GBP1,214m
--	-----------	-----------

Weighted average number of ordinary shares in issue	5,685m	5,655m
---	--------	--------

Earnings per share	27.1p	21.5p
--------------------	-------	-------

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Excluding volatility and, in the second half of 2006, pension schemes related credit

Profit attributable to equity shareholders	GBP1,513m	GBP1,236
Weighted average number of ordinary shares in issue	5,634m	5,602
Earnings per share	26.9p	22.1

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
GBPbn

Available assets, including support arrangement assets

18.8

Realistic value of liabilities

(17.6)

Working capital for fund

1.2

Working capital ratio

6.2%

31 December 2006

With Profit

Fund

GBPbn

Available assets, including support arrangement assets

19.4

Realistic value of liabilities

(18.3)

Working capital for fund

1.1

Working capital ratio

5.8%

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 GBP53 million for the With Profit Fund and GBP79 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 GBP57 million for the With Profit Fund and GBP84 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 GBPm	30 June 2006 GBPm
Value of in-force business (certainty equivalent)	3,512	3,489
Value of financial options and guarantees	(57)	(149)
Cost of capital	(244)	(293)
Non-market risk	(80)	(72)
Total value of in-force business	3,131	2,975
Shareholders' net assets	3,231	3,461
Total EEV of covered business	6,362	6,436

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

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

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

	Required capital GBPm	Free surplus GBPm
As at 1 January 2006	2,393	1,052
Total profit after tax	56	166
Dividends	-	(206)
As at 30 June 2006	2,449	1,012
Total profit (loss) after tax	(242)	893

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Dividends	-	(540)
As at 31 December 2006	2,207	1,365
Total profit (loss) after tax	(12)	259
Dividends	-	(588)
As at 30 June 2007	2,195	1,036

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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 GBPm	Half-year to 30 Jun 2006 GBPm
New business profit	180	16
Existing business profit		
- Expected return	174	20
- Experience variances	23	(
- Assumption changes	(3)	(2
	194	18
Expected return on shareholders' net assets	108	8
Profit before tax, excluding volatility and other items*	482	43
Volatility	44	(7
Other items*	38	1
Total profit before tax	564	36
Attributed shareholder tax	(169)	(11
Impact of Corporation tax rate change	142	
Total profit after tax	537	25

*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.

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

Breakdown of income statement between life and pensions, and OEICs

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Half-year to 30 June 2007	Life and pensions GBPm	OEICS GBPm
New business profit	141	39
Existing business		
- Expected return	150	24
- Experience variances	11	12
- Assumption changes	(40)	37
	121	73
Expected return on shareholders' net assets	104	4
Profit before tax*	366	116
New business margin (PVNBP)	3.6%	2.6%
Post-tax return on embedded value*		
Half-year to 30 June 2006	Life and pensions GBPm	OEICS GBPm
New business profit	130	35
Existing business		
- Expected return	181	25
- Experience variances	(22)	17
- Assumption changes	(28)	8
	131	50
Expected return on shareholders' net assets	80	4
Profit before tax*	341	89
New business margin (PVNBP)	3.8%	2.3%
Post-tax return on embedded value*		
Half-year to 31 December 2006	Life and pensions GBPm	OEICS GBPm
New business profit	157	24
Existing business		
- Expected return	180	17
- Experience variances	57	17
- Assumption changes	(101)	(12)
	136	22
Expected return on shareholders' net assets	80	3
Profit before tax*	373	49
New business margin (PVNBP)	4.4%	2.0%
Post-tax return on embedded value*		

*excluding volatility and other items.

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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 Jun 2007 %
Risk-free rate (value of in-force)	5.44	4.7
Risk-free rate (financial options and guarantees)	4.39 to 6.29	4.11 to 4.9
Retail price inflation	3.44	3.0
Expense inflation	4.34	3.9

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.

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

	Half-year to 30 June 2007 GBPm	Half-year to 30 June 2006 GBPm
Weighted sales (regular + 1/10 single)		
Life and pensions:		
Savings and investments	50	73
Protection	60	24
Individual pensions	143	139
Corporate and other pensions	167	157
Retirement income	51	41
Managed fund business	34	18
Life and pensions	505	452
OEICs	160	162
Life, pensions and OEICs	665	614
Bancassurance	239	210
Independent financial advisers	370	369
Direct	56	35
Life, pensions and OEICs	665	614

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 GBP89 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 GBP89 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 GBP28 million, as a result of the triggering of relevant tax variation clauses. In addition, the

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Group's deferred tax liabilities have been remeasured resulting in a credit to the Group's tax charge of GBP89 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 GBP70 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.

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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 GBP89 million credit arising from the UK corporation tax rate change, is given below:

	Half-year to 30 June 2007 GBPm	Half-year t 30 Jun 200 GBP
Profit before tax	1,993	1,77
Tax charge thereon at UK corporation tax rate of 30%	598	53
Factors affecting charge:		
Disallowed and non-taxable items	(3)	(3)
Overseas tax rate differences	(5)	(
Net tax effect of disposals and unrealised gains	(36)	(1
Policyholder and OEIC interests	(42)	4
Corporation tax rate change	(89)	
Other items	10	
Tax charge	433	54

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 GBP632 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:

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Shares quoted ex-dividend

Record date

Final date for joining or leaving the dividend reinvestment plan

Interim dividend paid

On 2 May 2007, a final dividend for 2006 of 23.5p per share was paid to shareholders. This dividend totalled GBP1,325 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.

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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

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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. Registered in Scotland no. 95000.

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LLOYDS TSB GROUP plc
(Registrant)

By: M D Oliver

Name: M D Oliver

Title: Director of Investor Relations

Date: 31 July, 2007