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LLOYDS TSB GROUP PLC
Form 6-K
February 22, 2008

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

22 February 2008

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

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25 Gresham Street
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(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- _____

Index to Exhibits

Item

No. 1 Regulatory News Service Announcement, dated 22 February 2008
re: Final Results

LLOYDS TSB GROUP PLC - RESULTS 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, exposure to legal proceedings or complaints, changes in customer preferences, competition and other factors. Please refer to the latest Annual Report on Form 20-F filed with the US Securities and Exchange Commission for a discussion of such factors. The forward looking statements contained in this 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 HIGHLIGHTS

Unless otherwise stated the analysis throughout this document compares the year to 31 December 2007 with the year to 31 December 2006 and excludes the impact of insurance related volatility, profit on disposal of businesses, settlement of

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overdraft claims in 2007 and the pension schemes related credit in 2006 (page 36, note 2).

"I am delighted to report that the Group has continued to deliver a strong trading performance, notwithstanding the significant recent turbulence in global financial markets. Our higher quality, lower risk, business model has been clearly demonstrated in the resilience of our earnings stream.

The Board remains confident in the Group's earnings outlook and, as a result, has decided to increase the final dividend by 5 per cent to 24.7 pence per share."

Sir Victor Blank
Chairman

Strong financial performance with statutory earnings per share increased by 17 per cent to 58.3p. Economic profit increased by 21 per cent. Statutory profit before tax was 6 per cent lower at GBP4,000 million, largely reflecting adverse policyholder interests volatility.

- Strong underlying profit momentum. Profit before tax up 6 per cent to GBP3,919 million notwithstanding impact of global financial markets turbulence. Excluding the impact of GBP280 million market dislocation, profit before tax increased by 13 per cent to GBP4,199 million.

- High returns maintained, with return on equity of 25.2 per cent. Improved return on risk-weighted assets, and return on Embedded Value increased to 9.9 per cent.

- Good income growth. Income growth of 5 per cent, reflecting the strength and resilience of the Group's revenue base. Excluding the impact of market dislocation and insurance grossing, income increased by 6 per cent.

- Excellent cost management. Cost growth of only 1 per cent, delivering wide positive jaws. Cost:income ratio improved by 1.8 percentage points to 49.0 per cent. Groupwide productivity programme exceeded 2007 expectations, and remains on track to deliver benefits of GBP250 million in 2008.

- Satisfactory credit quality. Retail impairment charge lower than in 2006. Based on current trends, we do not expect a significant change in the retail impairment charge in the first half of 2008, compared to the first half of 2007. Corporate asset quality remains good.

- Strong liquidity and funding position maintained throughout the recent global financial markets turbulence.

- Excellent capital management. Robust capital ratios maintained. Satisfactory transition to Basel II, with tier 1 capital ratio increasing to 9.5 per cent. Over GBP3.6 billion of capital repatriated from Scottish Widows over the last 3 years.

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SUMMARY OF RESULTS

	2007	
	GBPm	
Results - statutory		
Total income, net of insurance claims	10,706	11
Operating expenses	5,567	5
Trading surplus	5,139	5
Impairment	1,796	1
Profit before tax	4,000	4
Profit attributable to equity shareholders	3,289	2
Economic profit (page 48, note 17)	2,238	1
Earnings per share (page 48, note 18)	58.3p	4
Post-tax return on average shareholders' equity	28.2%	2
Results - excluding volatility, profit on sale of businesses, settlement of overdraft claims in 2007 and the pension schemes related credit in 2006		
Total income, net of insurance claims	11,206	10
Operating expenses	5,491	5
Trading surplus	5,715	5
Impairment	1,796	1
Profit before tax	3,919	3
Profit attributable to equity shareholders	2,863	2
Economic profit	1,842	1
Earnings per share	50.8p	4
Post-tax return on average shareholders' equity	25.2%	2
Post-tax return on average risk-weighted assets	1.76%	1
Shareholder value		
Closing market price per share (year end)	472p	57
Total market value of shareholders' equity	GBP26.7bn	GBP3
Total shareholder return	(12.1)%	2
Proposed dividend per share (page 57, note 24)	35.9p	3
	31 December	31 Dec
	2007	
	GBPm	
Balance sheet		
Shareholders' equity	12,141	11
Net assets per share	212p	
Total assets	353,346	343
Risk-weighted assets (Basel I basis)	171,971	156
Loans and advances to customers	209,814	188
Customer deposits	156,555	139
Risk asset ratios		
Total capital (Basel I basis)	11.0%	1
Tier 1 capital (Basel I basis)	8.1%	

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PROFIT ANALYSIS BY DIVISION

2007	2006
GBPm	GBPm

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UK Retail Banking (page 14)	1,808	1,549
Insurance and Investments (page 18)	1,056	973
Wholesale and International Banking (page 25)		
- Before impact of market dislocation	1,717	1,640
- Impact of market dislocation	(280)	-
	1,437	1,640
Central group items	(382)	(452)
Profit before tax*	3,919	3,710
Volatility (page 36, note 2)		
- Insurance	(267)	84
- Policyholder interests (page 37, note 2)	(233)	326
Profit on sale of businesses	657	-
Settlement of overdraft claims	(76)	-
Pension schemes related credit	-	128
Profit before tax	4,000	4,248
Taxation (page 56, note 23)	(679)	(1,341)
Profit for the year	3,321	2,907
Profit attributable to minority interests	32	104
Profit attributable to equity shareholders	3,289	2,803
Profit for the year	3,321	2,907
Earnings per share (page 48, note 18)	58.3p	49.9p

*Excluding volatility, profit on sale of businesses, settlement of overdraft claims and pension schemes related credit.

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GROUP CHIEF EXECUTIVE'S STATEMENT

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

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

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expects to grow the dividend over time, whilst continuing to build dividend cover.

Strong momentum

On an underlying basis, the Group increased profit before tax by 6 per cent to GBP3,919 million. Excluding the GBP280 million charge arising from the market dislocation, the Group grew profits by 13 per cent from GBP3,710 million to GBP4,199 million. Whilst we cannot overlook the impact of the dislocation on our results, these numbers are more reflective of the ongoing performance of the Group.

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

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

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

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

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

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Costs rose by only 1 per cent, as we continue to embed our efficiency programmes, and our cost:income ratio improved to 49.0 per cent, from 50.8 per

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cent in 2006. The extension of our lean manufacturing and sigma efficiency programmes, the improvement of our procurement processes and the adoption of end-to-end processing led to improvements in efficiency as well as better levels of service quality.

Our capital position is strong. We manage our capital to support efficient growth, directing capital to our higher growth and higher return business lines. We continued the capital efficiency programmes in Scottish Widows, with a further GBP1.9 billion repatriated to the Group during the year.

High quality sustainable business

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

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

Significant growth potential

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

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

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

Outlook

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

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

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

J Eric Daniels
Group Chief Executive

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GROUP FINANCE DIRECTOR'S REVIEW OF FINANCIAL PERFORMANCE

In 2007 the Group delivered a strong performance against the backdrop of significant turbulence in global financial markets. Statutory profit attributable to equity shareholders increased by GBP486 million, or 17 per cent, to GBP3,289 million and earnings per share increased by 17 per cent to 58.3p. Economic profit increased by 21 per cent to GBP2,238 million, and the post-tax return on equity improved from 26.6 per cent to 28.2 per cent. Profit before tax fell by 6 per cent to GBP4,000 million, largely as a result of significant adverse policyholder interests volatility.

To enable meaningful comparisons to be made with 2006, the income statement commentaries below exclude insurance related volatility, the profit on sale of businesses, settlement of overdraft claims in 2007 and the pension schemes related credit in 2006.

Building strong customer relationships

Lloyds TSB's strategy to build strong customer franchises and grow our business by realising the considerable potential within those franchises continues to deliver strong results. We have continued to extend the reach and depth of our customer relationships, achieving good sales growth, whilst also improving productivity and efficiency. The underlying performance of the business remains strong with revenue growth remaining well ahead of cost growth.

Like many other financial institutions, the Group has been affected by the recent market dislocation; however, the relationship focus of our strategy has meant that the impact on the Group's profit before tax was limited to GBP280 million in 2007 (GBP188 million reduction in income; GBP92 million increase in impairment).

Continued momentum throughout the business

Profit before tax increased by GBP209 million, or 6 per cent, to GBP3,919 million, underpinned by good relationship banking momentum, notwithstanding the impact of the GBP280 million market dislocation in Corporate Markets. Revenue growth of 5 per cent exceeded cost growth of 1 per cent, with each division delivering stronger revenue growth than cost growth. Earnings per share increased by 8 per cent to 50.8p and economic profit increased by 9 per cent to GBP1,842 million. Excluding the impact of market dislocation, Group profit before tax increased by 13 per cent to GBP4,199 million.

Good income growth

Overall, income growth of 5 per cent reflects good progress in delivering our divisional strategies. We have increased income from both new and existing customers, with strong growth in both assets and liabilities, as well as a significant increase in fee-related income. Excluding the impact of market dislocation and insurance grossing, income increased by 6 per cent.

Group net interest income, excluding insurance grossing, increased by GBP349 million, or 7 per cent, to GBP5,631 million. Customer deposits increased by 12 per cent to GBP157 billion, supported by strong growth in savings balances in the retail bank, where bank savings increased by 15 per cent and wealth management balances by 12 per cent. Customer deposits in our Corporate Markets, Commercial and International businesses increased by 18 per cent.

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Strong levels of customer lending growth in Commercial Banking and Corporate Markets, and good growth in mortgages and retail deposits, more than offset the marketwide experience of lower unsecured personal lending balances. Total assets

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increased by 3 per cent to GBP353 billion, with an 11 per cent increase in loans and advances to customers.

The net interest margin from our banking businesses (page 39, note 4) decreased by 9 basis points, to 2.79 per cent, with broadly stable product margins but an adverse mix effect. Stronger growth in finer margin mortgages and flat wider margin unsecured consumer lending contributed to the negative mix effect which accounted for 9 basis points of margin decline. Overall product margins were 2 basis points lower, reflecting competitive pressures in the mortgage and asset finance businesses and a move to finer margin secured lending in Commercial Banking. Funding costs improved the margin by 2 basis points. During the second half of 2007, product margins have started to show signs of improving, with increased new business margins becoming evident in mortgages and corporate lending reflecting a marketwide trend towards more appropriate pricing for risk.

Other income, net of insurance claims and excluding insurance grossing, increased by GBP133 million, or 2 per cent, to GBP5,530 million. This reflected higher 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, good levels of growth were achieved in fee based product sales to corporate and commercial banking customers.

Excellent cost management

The Group continues to invest in improving processing efficiency, resulting in continued tight control over costs. During 2007, operating expenses increased by only 1 per cent to GBP5,491 million. Over the last 12 months, staff numbers have fallen by 4,552 (7 per cent) to 58,078, largely as a result of the disposal of Lloyds TSB Registrars and Dutton-Forshaw and further efficiency improvements in back-office processing centres. These improvements in operational effectiveness have resulted in a further reduction in the Group cost:income ratio from 50.8 per cent to 49.0 per cent.

The Group's programme of productivity initiatives has continued to deliver significant benefits, improving underlying cost efficiency and creating greater headroom for further investment in the business. During 2007 the programme delivered net cost reductions of GBP145 million, exceeding the previously indicated net benefits of approximately GBP125 million, with gross benefits of GBP248 million and reinvestment in further programme initiatives of GBP103 million. The Group remains on track to deliver net benefits of approximately GBP250 million in 2008.

Along with a number of other UK banks, during the year the Group has received a number of customer claims for the repayment of overdraft fees. On 27 July 2007, several banks, together with the Office of Fair Trading, asked the High Court of England and Wales to clarify the legal position regarding personal current account fees. The 2007 results include a charge of GBP76 million relating to the settlement of claims during the year, together with related costs.

Overall credit quality remains satisfactory

Impairment losses increased by 15 per cent to GBP1,796 million. Our impairment charge on loans and advances expressed as a percentage of average lending was 0.82 per cent, excluding the impact of market dislocation and the 2007 Finance Act, compared to 0.83 per cent in 2006 (page 42, note 9). Impaired assets increased by 8 per cent to GBP5,311 million, less than the rate of lending growth, and now represent 2.5 per cent of total lending, down from 2.6 per cent at 31 December 2006.

In UK Retail Banking, impairment losses decreased by GBP14 million, or 1 per cent, to GBP1,224 million. During 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 improved during the year. In addition, the asset quality of our mortgage portfolio has remained excellent. Whilst the uncertain UK macroeconomic environment and customer insolvency trends remain key factors in the outlook for retail impairment, our current lead indicators are good, we are continuing to enhance our underwriting and collections procedures and the quality of new business remains strong. As a result, based on current trends, we do not expect a significant change in the retail impairment charge in the first half of 2008, compared to the first half of 2007.

The Wholesale and International Banking charge for impairment losses increased by GBP264 million to GBP572 million, including a GBP92 million impairment charge relating to the impact of market dislocation in the second half of 2007, and a one-off charge of GBP28 million relating to the impact of the 2007 Finance Act on the Group's leasing business. The increase in the impairment charge also reflects a lower level of releases and recoveries in Corporate Markets and the impact of recent double-digit growth rates in Corporate lending.

Limited exposure to assets affected by current capital markets uncertainties

Whilst no bank has been immune to the impact of the turbulence in global financial markets in the second half of 2007, Lloyds TSB's high quality business model means that the Group has relatively limited exposure to assets affected by current capital markets uncertainties (page 46, note 15).

US sub-prime Asset Backed Securities (ABS) and ABS Collateralised Debt Obligations (CDOs)

Lloyds TSB has no direct exposure to US sub-prime ABS and limited indirect exposure through ABS CDOs. During the second half of 2007, the market value of our holdings in ABS CDOs reduced and, as a result, the Group has taken an income statement charge of GBP114 million, leaving a residual investment of GBP130 million, net of hedges. The write-down largely reflects junior tranches of CDOs which have been written down to the expected interest payments to be received within the next 12 months. The Group has no exposure to mezzanine ABS CDOs. The

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Group's residual investment of GBP130 million is stated net of credit default swap (CDS) protection totalling GBP470 million purchased from a 'triple A' rated monoline Financial Guarantor. At 31 December 2007, the underlying assets supported by this protection had fallen in value, leaving a reliance on the CDS protection totalling GBP155 million. In addition, we have GBP1,861 million of ABS CDOs which are fully cash collateralised by major global financial institutions.

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Structured Investment Vehicle (SIV) Capital Notes

At 30 June 2007 the Group's exposure to SIV Capital Notes totalled GBP100 million. During the second half of 2007 the Group wrote down the value of these assets by GBP22 million, leaving a residual exposure at 31 December 2007 of GBP78 million. Additionally, at 31 December 2007 the Group had commercial paper back up liquidity facilities totalling GBP370 million, of which GBP98 million had been drawn. All of these liquidity lines are senior facilities. Since the year end, these facilities have been reduced to GBP208 million, of which GBP115 million has been drawn. The Group has no SIV-Lite exposure.

Trading portfolio

In the second half of 2007, Corporate Markets also saw a reduction in profit before tax of approximately GBP144 million as a result of the impact of mark-to-market adjustments in the Group's trading portfolio, to reflect the marketwide repricing of liquidity and credit. At 31 December 2007 the trading portfolio contained GBP181 million of indirect exposure to US sub-prime mortgages and ABS CDOs. This super senior exposure is protected by note subordination.

Available-for-sale assets

At 31 December 2007, the Group's portfolio of available-for-sale assets totalled GBP20,196 million (31 December 2006: GBP19,178 million). A significant proportion of these assets (GBP8.3 billion) related to the ABS in Cancara. The residual assets included GBP3.2 billion Student Loan ABS, predominantly guaranteed by the US Government, GBP4.6 billion Government bond and short-dated bank commercial paper and certificates of deposit and GBP4.1 billion major bank senior paper and high quality ABS. These available-for-sale assets are intended to be held to maturity however, under IFRS, they are marked-to-market through reserves. During 2007, a net GBP413 million reserves adjustment, which has no impact on the Group's capital ratios, has been made to reflect a reduction in the value of these assets. These assets are not impaired and we expect to obtain full value for them upon maturity.

The Group's investment in Cancara, our hybrid Asset Backed Commercial Paper conduit, was GBP12.0 billion at 31 December 2007, comprising GBP8.3 billion ABS and GBP3.7 billion client receivables transactions. Cancara, which is fully consolidated in the Group's accounts, is managed in a very conservative manner, which is demonstrated by the quality and ratings stability of its underlying

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asset portfolio. At 31 December 2007, the ABS bonds in Cancara were 100 per cent Aaa/AAA rated by Moody's and Standard & Poor's respectively, and there was no exposure either directly or indirectly to sub-prime US mortgages within the ABS portfolio. Since the year end, ABS totalling GBP67 million have been downgraded. At 31 December 2007 the client receivables portfolio included GBP115 million of US sub-prime mortgage exposure.

Scottish Widows has no exposure to US sub-prime ABS either directly or indirectly through CDOs. The Group holds GBP25 million of short-dated SIV commercial paper through Scottish Widows.

Strong capital management disciplines

Capital efficiency continued to improve throughout the Group, resulting in an increase in post-tax return on average shareholders' equity to 25.2 per cent, and in the post-tax return on average risk-weighted assets to 1.76 per cent, from 1.72 per cent. In our life assurance and investment businesses, the post-tax return on embedded value, on a European Embedded Value (EEV) basis, increased to 9.9 per cent, from 9.3 per cent.

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At the end of December 2007, the total capital ratio on a Basel I basis was 11.0 per cent and the tier 1 ratio was 8.1 per cent. During the year, risk-weighted assets increased by 10 per cent to GBP172.0 billion, reflecting growth in our mortgage and Corporate Markets businesses. Going forward, we expect high single-digit or low double-digit annual growth in risk-weighted assets, reflecting increased opportunities to continue to grow our customer lending. The Group has successfully managed the transition to Basel II and the Group's opening capital ratios on a Basel II basis were 11.0 per cent for total capital and 9.5 per cent for tier 1 capital (page 43, note 11).

Scottish Widows remains strongly capitalised and, at the end of December 2007, the working capital ratio of the Scottish Widows Long Term Fund was an estimated 19.2 per cent (page 49, note 19). During 2007, further capital repatriation totalling GBP1.9 billion was made to the Group, bringing the total capital repatriation since the beginning of 2005 to over GBP3.6 billion. On 5 December 2007 Standard & Poor's announced that it had re-affirmed its Scottish Widows 'AA-' debt rating and placed it on positive outlook.

Maintaining a strong liquidity and funding position

Throughout the recent marketwide liquidity turbulence, Lloyds TSB has maintained a strong liquidity position for both the Group's funding requirements, which are supported by our strong and stable retail and corporate deposit base, and those of its sponsored conduit, Cancara. Retail and corporate deposit inflows have been strong and the Group continues to benefit from its strong credit ratings and diversity of funding sources. This has resulted in the Group continuing to fund well over the last few months. In January 2008, Moody's announced that it

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had re-affirmed its 'Aaa' long-term debt rating for Lloyds TSB Bank plc.

Significant reduction in the Group pension schemes' deficit

The Group's defined benefit pension schemes' gross deficit at 31 December 2007 improved by GBP1,416 million to GBP683 million, comprising net recognised liabilities of GBP2,033 million partly offset by unrecognised actuarial gains of GBP1,350 million (page 42, note 10). This improvement reflects an increase in the real discount rate used to value the schemes' liabilities and Group contributions to the schemes, which exceeded the cost of accruing benefits.

Substantial profit on sale of non-core businesses

During 2007 the Group sold a number of non-core businesses realising profits on the disposal totalling GBP657 million (page 47, note 16). This has further strengthened the Group's capital ratios and improved capital flexibility.

In May 2007, Lloyds TSB Group agreed the sale of the business and assets of Lloyds TSB Registrars to Advent International, subject to completion and other adjustments. The transaction was completed on 30 September 2007, following regulatory approval, and the Group has reported a profit before tax on the sale of this business of GBP407 million (tax: nil).

In July 2007, the Group announced an agreement to sell Abbey Life Assurance Company Limited (Abbey Life) to Deutsche Bank AG. This transaction was also completed at the end of September 2007 and the Group has reported a profit before tax on the sale of this business of GBP272 million (tax: nil). In addition, a pre-sale dividend of GBP175 million was paid to Group in June 2007.

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Taxation charge

The Group's tax charge for 2007 was GBP679 million, which was an effective rate of 17.0 per cent (2006: 31.6 per cent). The effective tax rate is below the standard UK corporation tax rate as a result of the gains on disposals being either exempt from tax or covered by capital losses arising in earlier years, a deferred income tax credit following the reduction in the corporation tax rate announced in the 2007 Finance Act, and credits arising on policyholder interests. Under IFRS, the income statement includes a corresponding charge for policyholder interests within the Group's profit before tax. Excluding these items the Group's effective rate of tax was 28.3 per cent (page 56, note 23).

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 (GBP20 million after tax), relating to a reduction in future rental income within the Group's leasing business. In addition, the Group's deferred tax

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liabilities at 31 December 2007 were reduced, resulting in a credit to the Group's tax charge of GBP110 million. The net impact of these items has been to increase earnings attributable to shareholders by GBP90 million during the year.

Delivering accelerated earnings momentum, whilst improving profitability and returns

2007 has been a challenging year for all banks, however Lloyds TSB's high quality, more conservative business model has withstood the difficulties of global financial markets turbulence. Strong earnings momentum has continued in the UK retail banking and insurance businesses, and our relationship focused Corporate and Commercial businesses have also continued to perform well. These strong performances have resulted in a good level of income growth which, combined with excellent cost control, has resulted in strong underlying profit momentum. The Group has also continued to maintain satisfactory asset quality. Encouragingly, this performance has not come at the expense of returns, as the Group has continued to improve both its return on equity and return on risk-weighted assets. As a result, the Group is well placed to maintain the recent momentum established throughout the business, and we expect to continue to perform well in 2008.

Helen A Weir
Group Finance Director

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SUMMARISED SEGMENTAL ANALYSIS

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	3,783	68	2,518	(738)	5,631	4
Other income	1,797	1,900	1,773	362	5,832	6,8
Total income	5,580	1,968	4,291	(376)	11,463	7,2
Insurance claims	-	(302)	-	-	(302)	(7,2
Total income, net of insurance claims	5,580	1,666	4,291	(376)	11,161	
Operating expenses	(2,548)	(636)	(2,282)	(6)	(5,472)	

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Trading surplus (deficit)	3,032	1,030	2,009	(382)	5,689	
Impairment	(1,224)	-	(572)	-	(1,796)	
Profit (loss) before tax*	1,808	1,030	1,437	(382)	3,893	
Volatility						
- Insurance	-	(267)	-	-	(267)	
- Policyholder interests	-	-	-	-	-	(2)
Profit on sale of businesses	-	272	385	-	657	
Settlement of overdraft claims	(76)	-	-	-	(76)	
Profit (loss) before tax	1,732	1,035	1,822	(382)	4,207	(2)
2006						
Net interest income	3,642	56	2,177	(593)	5,282	
Other income	1,621	1,740	2,035	201	5,597	8,3
Total income	5,263	1,796	4,212	(392)	10,879	8,3
Insurance claims	-	(200)	-	-	(200)	(8,3
Total income, net of insurance claims	5,263	1,596	4,212	(392)	10,679	
Operating expenses	(2,476)	(646)	(2,264)	(51)	(5,437)	
Trading surplus (deficit)	2,787	950	1,948	(443)	5,242	
Impairment	(1,238)	-	(308)	(9)	(1,555)	
Profit (loss) before tax*	1,549	950	1,640	(452)	3,687	
Volatility						
- Insurance	-	84	-	-	84	
- Policyholder interests	-	-	-	-	-	3
Pension schemes related credit	-	-	-	128	128	
Profit (loss) before tax	1,549	1,034	1,640	(324)	3,899	3

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

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

DIVISIONAL PERFORMANCE

UK RETAIL BANKING

2007

2006

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	GBPm	GBPm
Net interest income	3,783	3,642
Other income	1,797	1,621
Total income	5,580	5,263
Operating expenses	(2,548)	(2,476)
Trading surplus	3,032	2,787
Impairment	(1,224)	(1,238)
Profit before tax, excluding settlement of overdraft claims	1,808	1,549
Settlement of overdraft claims	(76)	-
Profit before tax	1,732	1,549
Cost:income ratio*	45.7%	47.0%
Post-tax return on average risk-weighted assets*	2.13%	1.76%
Total assets	GBP115.0bn	GBP108.4bn
Risk-weighted assets	GBP61.7bn	GBP59.1bn
Customer deposits	GBP82.1bn	GBP75.7bn
*Excluding settlement of overdraft claims.		

Key highlights

- Excellent profit performance. Profit before tax increased by 17 per cent to GBP1,808 million, excluding the settlement of overdraft claims.
- Strong income momentum, up 6 per cent, supported by overall sales growth of 17 per cent.
- Excellent progress in growing the current account customer franchise, with over 1 million new current accounts opened, an increase of 17 per cent. New Added Value Accounts increased by 79 per cent. Lloyds TSB is now the UK market leader in new current account customer recruitment.
- Strong growth in savings deposits resulted in an 11 per cent increase in savings balances, with 15 per cent growth in bank savings.
- Stabilisation in net interest margin, with net interest margin in the second half of 2007 1 basis point higher than in the first half of 2007.
- Continued good cost management, with a clear focus on investing to improve service quality and processing efficiency. Excluding the impact of the settlement of overdraft claims, operating expenses increased by 3 per cent and there was a substantial improvement in the cost:income ratio to 45.7 per cent.
- The quality of new lending continues to be strong. Arrears levels have continued to improve and the impairment charge in 2007 was lower than in 2006. Whilst the economic outlook for 2008 is uncertain, we do not expect to experience a significant change in the retail impairment charge in the first half of 2008, compared to the first half of 2007.
- Improved return on risk-weighted assets, reflecting the impact of double-digit profit growth exceeding the increase in risk-weighted assets.

During 2007, UK Retail Banking continued to make 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 current accounts and savings products which, combined with higher lending related income, has supported the accelerating rate of revenue growth.

Profit before tax from UK Retail Banking increased by GBP183 million, or 12 per cent, to GBP1,732 million, reflecting strong levels of franchise growth, excellent cost management and a slightly reduced impairment charge. Excluding the settlement of overdraft claims, profit before tax increased by 17 per cent to GBP1,808 million. Total income increased by GBP317 million, or 6 per cent, supported by higher income from current accounts, savings and personal lending.

The adverse mix effect of strong growth in finer margin mortgages and flat wider margin unsecured personal lending led to an overall reduction in the division's net interest margin. Product margins on a year-on-year basis fell slightly reflecting competitive pressures in the mortgage business in the first half of 2007 which more than offset an increase in retail savings margins. Towards the end of the year, new business margins in the mortgage business started to improve and this supported a stabilisation in the UK Retail Banking net interest margin in the second half of the year, compared to the first half.

Operating expenses remained well controlled, increasing by 3 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.

Growing income from the customer base

The Retail Bank has continued to make excellent progress, with further strong growth in product sales and continued good revenue growth. We continue to deliver a very strong performance in the growing savings and investment market, especially in bank savings where we have recently benefited from a significantly improved rate of deposit growth.

Overall sales increased by 17 per cent, with improvements over a broad range of products, especially current accounts, credit cards and bank savings products. Sales volumes were particularly strong in the branch network with an increase of 24 per cent. This continued strong sales growth has been driven from high levels of product innovation over the last twelve months with the successful launch of a number of enhanced savings products, an improved range of added value current accounts and the introduction of the innovative Lloyds TSB Duo Airmiles credit card offer. Customer deposits have increased strongly, by 8 per cent over the last twelve months, with particularly strong progress in growing our bank savings and wealth management deposit balances, with increases of 15 per cent and 12 per cent respectively.

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	31 December 2007	31 December 2006
	GBPm	GBPm
Current account and savings balances		
Bank savings	41,976	36,417
C&G deposits	14,861	14,621
Wealth management	4,939	4,402
UK Retail Banking savings	61,776	55,440
Current accounts	20,305	20,221
Total customer deposits	82,081	75,661

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UK RETAIL BANKING (continued)

The Group has delivered good levels of mortgage growth, focusing on prime mortgage business and seeking to maintain economic returns. However, as we have previously indicated, our market share of net new mortgage lending in the second half of the year was below our outstanding stock position, reflecting our continued focus on writing value-creating business. The Group continues to focus on those segments of the mortgage market where value can be created while adopting a conservative approach to credit risk. As a result of our focus on managing for value and the recent marketwide increase in interest spreads, new business net interest margins have strengthened. Recent levels of mortgage allocations have been stronger and we expect this to translate into robust balance growth as we move into 2008.

Gross new mortgage lending for the Group totalled GBP29.4 billion (2006: GBP27.6 billion). Mortgage balances outstanding increased by 7 per cent to GBP102.7 billion and net new lending totalled GBP6.7 billion, resulting in a market share of net new lending of approximately 6.2 per cent.

We have maintained our market leadership position in personal loans, despite tightened credit criteria and a slowdown in consumer demand. Unsecured consumer credit balances were broadly flat with personal loan balances outstanding at 31 December 2007 marginally higher at GBP11.2 billion, and credit card balances slightly lower at GBP6.6 billion.

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 17 per cent, compared with last year, supported by the range of added value current accounts, in particular the Silver

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Account focusing on foreign nationals. During 2007, the Group opened more than 1 million new current accounts.

Wealth Management continues to make good progress with its expansion plans, and over 260 advisers have now been trained on an enhanced wealth management offer comprising private banking, open architecture portfolio management, retirement planning, insurance and estate planning services. As a result, new Investment Portfolio cases increased by 42 per cent and overall wealth management clients increased by 11 per cent. Total new assets under management increased by 42 per cent and wealth management banking deposits grew by 12 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 demand for this new product has been extremely strong, and over 700,000 cards have been issued to a generally more transactional, high quality, customer segment. As a result, Lloyds TSB was the UK market leader in new credit card issuance during 2007, and now has the largest and fastest growing loyalty credit card programme in the UK.

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UK RETAIL BANKING (continued)

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 2 years. Over the same period, 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 45.7 per cent, from 47.0 per cent last year.

In Telephone Banking we have continued to invest in our market leading speech recognition technology which has supported significant growth in the number of customers using our automated service. This, combined with further improvements in the efficiency of our contact centre operations, has led to all customer service calls now being answered from UK based centres.

Impairment levels slightly decreased

Impairment losses on loans and advances decreased by GBP14 million, or 1 per cent, to GBP1,224 million, largely reflecting a reduction in the level of customer insolvencies and the quality of new lending. In addition, collections procedures continue to improve, a particularly important competitive advantage

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in a slowing consumer environment, and we achieved better than assumed recoveries. The impairment charge as a percentage of average lending improved to 1.10 per cent, compared to 1.18 per cent last year. Over 99 per cent of new personal loans and 89 per cent of new credit cards sold during 2007 were to existing customers, where the Group has a better understanding of an individual customer's total financial position. The level of arrears in the personal loan and credit card portfolios reduced during 2007, whilst overdraft arrears remained stable.

Mortgage credit quality remains excellent with the impairment charge remaining at a low level of GBP18 million, or 2 basis points of average mortgage lending. Arrears in the mortgage business have also fallen. In Cheltenham & Gloucester, the average indexed loan-to-value ratio on the mortgage portfolio was 43 per cent, and the average loan-to-value ratio for new mortgages and further advances written during 2007 was 63 per cent. At 31 December 2007, only 1.7 per cent of balances had an indexed loan-to-value ratio in excess of 95 per cent. We extensively stress-test our lending to changes in macroeconomic conditions and we remain very confident in the quality of our mortgage portfolio.

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INSURANCE AND INVESTMENTS

	2007	2006
	GBPm	GBPm
Excluding volatility and profit on disposal of businesses		
Net interest income	68	56
Other income	1,900	1,740
Total income	1,968	1,796
Insurance claims	(302)	(200)
Total income, net of insurance claims	1,666	1,596
Operating expenses	(636)	(646)
Insurance grossing adjustment (page 13)	26	23
Profit before tax	1,056	973
Profit before tax analysis		
Life, pensions and OEICs		
New business profit - life and pensions	163	171
New business loss - OEICs	(22)	(24)
Existing business	551	384
Expected return on shareholders' net assets	192	134
Impact of surplus capital repatriation	-	36
	884	701
General insurance	128	243
Scottish Widows Investment Partnership	44	29
Profit before tax	1,056	973
Present value of new business premiums (PVNBP)	10,424	9,740
PVNBP new business margin (EEV basis)	3.1%	3.6%
Post-tax return on embedded value (EEV basis, page 50, note 20)	9.9%	9.3%

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Key highlights

- Strong profit performance. Profit before tax increased by 9 per cent to GBP1,056 million. Adjusting for the impact of surplus capital repatriation, profit before tax increased by 13 per cent.
- Good income growth and excellent cost control. Income, net of insurance claims and adjusting for the impact of surplus capital repatriation, increased by 7 per cent. Operating expenses decreased by 2 per cent.
- Good sales performance. 7 per cent increase in Scottish Widows' present value of new business premiums. Strong progress in increasing bancassurance sales, up 20 per cent. Good performance in the sale of protection products, corporate pensions and retirement income products.
- Improved returns. On an EEV basis, the post-tax return on embedded value increased to 9.9 per cent. New business margin was robust at 3.1 per cent.
- Robust capital position. Scottish Widows continues to deliver improving capital efficiency and self-financing growth, and a further GBP1.9 billion of capital was repatriated to the Group during 2007.
- Increased weather related claims of GBP113 million, largely relating to the severe flooding in the UK in June and July, contributed to a 47 per cent reduction in profit before tax in General Insurance.
- Excellent performance in Scottish Widows Investment Partnership. Profit before tax increased by 52 per cent reflecting higher margins and improved mix of external business.

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INSURANCE AND INVESTMENTS (continued)

Scottish Widows life, pensions and OEICs

Profit before tax increased by GBP183 million, or 26 per cent, to GBP884 million. The effect of surplus capital repatriation to the Group has been to reduce investment earnings by a total of GBP36 million in 2007. Adjusting 2006 for this, profit before tax increased by 33 per cent.

Life and pensions new business profit, on an IFRS basis and excluding volatility, reduced by 5 per cent to GBP163 million reflecting a change in the mix of investment products sold through the branch network towards non-embedded value accounted products. Total existing business profit grew by 43 per cent to GBP551 million, partly reflecting increased profits from the growing OEIC portfolio, improved cost management and a reduction in adverse assumption changes compared to 2006. The expected return on shareholders' net assets increased by 43 per cent to GBP192 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.

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During 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 2007, the value of Scottish Widows' bancassurance new business premiums increased by 20 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. 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 2007. In addition, Scottish Widows launched a new protection product, 'Protection for Life' towards the end of 2006, which has performed very well. We have continued to deliver good sales of OEICs following the more than doubling of sales in 2006.

Profitably growing IFA sales

Sales through the IFA distribution channel increased by 2 per cent, following record A-day related sales levels in 2006. Scottish Widows has continued to focus on the more profitable business areas within the IFA market. Sales of savings and investment products were lower as we chose not to compete in areas which deliver unsatisfactory returns, although this was partly offset by good growth in OEIC sales. Corporate pensions volumes remained strong following excellent growth last year and our managed fund business also showed good improvement.

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INSURANCE AND INVESTMENTS (continued)

Present value of new business premiums (PVNBP)	2007	2006
	GBPm	GBPm
Life and pensions:		
Protection	960	232
Savings and investments	913	1,300
Individual pensions	2,073	2,219
Corporate and other pensions	2,141	1,961
Retirement income	1,044	960
Managed fund business	486	348
Life and pensions	7,617	7,020
OEICs	2,807	2,720
Life, pensions and OEICs	10,424	9,740
Single premium business	8,375	7,321
Regular premium business	2,049	2,419
Life, pensions and OEICs	10,424	9,740

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Bancassurance	4,096	3,421
Independent financial advisers	5,817	5,706
Direct	511	613
Life, pensions and OEICs	10,424	9,740

Improving service and operational efficiency

The business has made continued improvements in service and operational efficiencies, and the benefits can be seen in a reduction of expenses by 2 per cent compared to prior year, notwithstanding the introduction of a number of new products. In addition, customer satisfaction is at its highest ever level. Scottish Widows received a number of awards for service quality and product innovation, including 'Best Individual Pensions Provider' at the Financial Adviser awards whilst maintaining its top quartile position for lowest servicing and acquisition costs per policy.

Optimising capital management

Scottish Widows has maintained its strong focus on improving capital management. During 2007 Scottish Widows continued to deliver a more capital efficient product profile and improved internal rates of return. The post-tax return on embedded value, on an EEV basis, increased to 9.9 per cent, from 9.3 per cent last year. During 2007, GBP1.9 billion of capital was repatriated to the Group, giving a total capital repatriation of over GBP3.6 billion since the beginning of 2005.

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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.

	2007 Life, pensions and OEICs GBPm	2006 Life, pensions and OEICs GBPm
New business profit	326	346
Existing business		
- Expected return	337	403
- Experience variances	78	69
- Assumption changes	(45)	(133)

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Expected return on shareholders' net assets	370	339
Profit before tax, adjusted for capital repatriation*	207	131
	903	816
Impact of surplus capital repatriation to Group	-	36
Profit before tax*	903	852
New business margin (PVNBP)	3.1%	3.6%
Embedded value (year end)	GBP5,365m	GBP6,413
Post-tax return on embedded value*	9.9%	9.3%

*Excluding volatility and other items (page 36, note 2).

Adjusting for the impact of capital repatriation, EEV profit before tax from the Group's life, pensions and OEICs business increased by 11 per cent to GBP903 million.

New business profit fell by GBP20 million, or 6 per cent, to GBP326 million, largely reflecting the impact of a higher risk-free discount rate and changes in other economic assumptions applied to new business. This was however offset by a corresponding credit to the expected return on shareholders' net assets.

Existing business profit increased by 9 per cent. Expected return decreased by 16 per cent to GBP337 million, primarily reflecting a lower shareholder benefit this year from the reduction in the value of realistic balance sheet liabilities and the impact of regulatory changes in 2006. Positive experience variances were driven by higher annuity profits from Abbey Life. Overall lapse experience was broadly in line with the Group's expectations, as higher lapse experience in the life and pensions business was broadly offset by a favourable experience in OEICs. Assumption changes primarily reflect changes to the longer term lapse assumptions for both life and pensions business and OEICs. The expected return on shareholders' net assets increased by GBP76 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.

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INSURANCE AND INVESTMENTS (continued)

Results on a European Embedded Value (EEV) basis

Overall the post-tax return on embedded value increased to 9.9 per cent from 9.3 per cent. Scottish Widows maintained a strong new business margin of 3.1 per cent. Individual new business product margins remained broadly stable. The overall new business margin fell by 50 basis points however, as a result of an adverse impact from a higher risk-free discount rate and changes in other economic assumptions applied to new business and the shift in product mix resulting from the insourcing of a new branch network creditor insurance and protection product. This product generates a lower new business margin, but delivers good levels of value for the Group.

INSURANCE AND INVESTMENTS (continued)

Scottish Widows Investment Partnership

Pre-tax profit from Scottish Widows Investment Partnership (SWIP) increased by 52 per cent to GBP44 million, reflecting increased profitability resulting from higher margins and an improved mix of external business, a key strategic priority for SWIP. Over the last 12 months, SWIP's assets under management decreased by GBP4.1 billion to GBP97.6 billion, reflecting the decision by the Trustees of the Lloyds TSB pension schemes to move GBP5.7 billion into external passive management. As a result, institutional funds under management reduced by GBP5.0 billion. The net movement in retail funds, net of expenses and commissions, was an increase of GBP2.9 billion.

Movements in funds under management

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

	2007 GBPbn
Opening funds under management	105.7
Movement in Retail Funds	
Premiums	11.7
Claims	(4.8)
Surrenders	(6.4)
Net inflow of business	0.5
Investment return, expenses and commission	2.4
Net movement	2.9
Movement in Institutional Funds	
Lloyds TSB pension schemes	(5.7)
Other institutional funds	(0.6)
Investment return, expenses and commission	1.3
Net movement	(5.0)
Proceeds from sale of Abbey Life	1.0
Dividends and surplus capital repatriation	(1.9)
Closing funds under management	102.7
Managed by SWIP	97.6
Managed by third parties	5.1
Closing funds under management	102.7

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Including assets under management within our UK Wealth Management and International Private Banking businesses, Groupwide funds under management decreased by 3 per cent to GBP122.8 billion.

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INSURANCE AND INVESTMENTS (continued)

General insurance	2007	2006
	GBPm	GBPm
Commission receivable	648	629
Commission payable	(692)	(664)
Underwriting income (net of reinsurance)	591	600
Other income	37	35
Net operating income	584	600
Claims paid on insurance contracts (net of reinsurance)	(302)	(200)
Operating income, net of claims	282	400
Operating expenses	(154)	(157)
Profit before tax	128	243
Claims ratio	49%	32%
Combined ratio	93%	80%

Profit before tax from our general insurance operations decreased by GBP115 million, to GBP128 million, largely as a result of a GBP113 million increase in weather related claims, primarily reflecting severe flooding in the UK in June and July. Net operating income decreased by 3 per cent whilst costs were reduced by 2 per cent.

Net operating income decreased by GBP16 million, or 3 per cent, as growth in home and loan protection income was more than offset by lower motor insurance income, increased reinsurance costs and the run-off from the legacy health portfolio. Our continued focus on improving operational efficiency and improving the effectiveness of our marketing spend has resulted in a GBP3 million, or 2 per cent, reduction in operating costs, whilst also continuing to improve processing efficiency.

Overall sales performance has been good with an 8 per cent increase in new business gross written premiums (GWP). Home insurance sales through the branch network continue to perform well with 14 per cent growth in new business GWP. We have, however, scaled back our participation in the distribution of home insurance through direct channels, as a result of the increasingly competitive pricing in that area of the market. During the year we continued to invest in product development, with loan protection and home insurance products both securing industry leading external quality ratings.

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Income, net of claims, was GBP118 million lower, largely as a result of the increased extreme weather related claims, following a benign period in 2006. As a result, overall claims increased by GBP102 million, and key underwriting ratios were significantly affected with an increase in the claims ratio to 49 per cent, and an increase in the combined ratio to 93 per cent. Adjusting for the extreme weather related claims, the claims ratio improved, reflecting both a favourable claims experience in our home insurance underwriting and the impact of recent investment in improving the efficiency of our claims processing.

The business continues to invest in the development of its Corporate Partnership distribution arrangements and the performance of the Pearl business acquired in 2006 has exceeded our initial expectations.

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WHOLESALE AND INTERNATIONAL BANKING

Excluding profit on disposal of businesses	2007	2006
	GBPm	GBPm
Net interest income	2,518	2,177
Other income	1,773	2,035
Total income	4,291	4,212
Operating expenses	(2,282)	(2,264)
Trading surplus	2,009	1,948
Impairment	(572)	(308)
Profit before tax	1,437	1,640
Cost:income ratio	53.2%	53.8%
Cost:income ratio, excluding market dislocation	50.9%	53.8%
Post-tax return on average risk-weighted assets	1.13%	1.38%
Total assets	GBP163.3bn	GBP147.8bn
Risk-weighted assets	GBP105.1bn	GBP91.8bn
Customer deposits	GBP72.3bn	GBP61.2bn
Profit before tax by business unit		
Corporate Markets		
- Before impact of market dislocation	1,132	1,030
- Impact of market dislocation	(280)	-
	852	1,030
Commercial Banking	451	398
Asset Finance	60	113
International Banking and other businesses	74	99
	1,437	1,640

Key highlights

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- Overall profits impacted by turbulence in global financial markets. Whilst the division has limited exposure to assets affected by current capital market uncertainties, the impact of recent market dislocation has been to reduce profit before tax in 2007 by GBP280 million.
- Continued relationship banking momentum. Excluding the impact of market dislocation, profit before tax increased by 5 per cent.
- Further good progress in expanding our Corporate Markets business, with an 18 per cent increase in Corporate Markets income supporting a 10 per cent increase in profit before tax, excluding the impact of market dislocation. Cross-selling income in Corporate Markets increased by 35 per cent.
- Continued strong franchise growth in Commercial Banking, with an 8 per cent growth in income and a 13 per cent growth in profit before tax. Lloyds TSB has retained its leading position as the bank of choice for start-up businesses.
- Continued tight credit control in Asset Finance, and a slowdown in demand in the consumer lending portfolio, led to a 47 per cent reduction in profit before tax.
- Strong risk management and good asset quality, despite a rise of GBP264 million in impairment losses, largely as a result of the GBP92 million impact of market dislocation, a GBP28 million provision reflecting the impact of the 2007 Finance Act on the division's leasing business, and a lower level of corporate releases and recoveries during the year.

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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 develop 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. The division has continued to make substantial progress in its relationship banking businesses. In Commercial Banking, strong growth in business volumes, further customer franchise improvements and good progress in improving operational efficiency have resulted in continued strong profit growth. In Corporate Markets, further good progress has been made in developing our relationship banking franchise supported by a strong cross-selling performance.

Overall, the division's profit before tax decreased by 12 per cent, to GBP1,437 million, reflecting the GBP280 million reduction in profits as a result of market dislocation. Excluding this impact, profit before tax increased by 5 per cent, with a continued strong performance in our relationship banking businesses. This has generated overall income growth of 6 per cent, driven by strong Corporate Markets and Commercial Banking income growth of 18 per cent and 8 per cent respectively. This exceeded cost growth of 1 per cent, leading to a reduction in the cost:income ratio to 50.9 per cent, from 53.8 per cent last year. Trading surplus, excluding the impact of market dislocation, increased by GBP249 million, or 13 per cent, to GBP2,197 million.

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The charge for impairment losses on loans and advances increased by GBP264 million to GBP572 million, largely as a result of the GBP92 million impact of market dislocation, 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, a lower level of releases and recoveries during the year and the impact of recent strong growth in the corporate lending portfolio. Overall corporate and SME asset quality remains good although we continue to expect some normalisation in the impairment charge over the next few years. We do believe, however, that 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

	2007	2006
	GBPm	GBPm
Net interest income	1,104	806
Other income		
- Before market dislocation	808	821
- Market dislocation	(188)	-
	620	821
Total income	1,724	1,627
Operating expenses	(632)	(615)
Trading surplus	1,092	1,012
Impairment		
- Before market dislocation	(148)	18
- Market dislocation	(92)	-
	(240)	18
Profit before tax	852	1,030

In Corporate Markets, profit before tax fell by 17 per cent, however, excluding the impact of market dislocation and the 2007 Finance Act, profit before tax increased by 13 per cent. On this basis, income increased by 18 per cent, supported by continued high levels of cross-selling income, up 35 per cent, strong growth in corporate lending and a higher level of income from venture capital investments. The strong growth in lending was supported by an increase of GBP4.7 billion in Group lending to property companies, to GBP17.6 billion. Two-thirds of this lending portfolio is commercial property lending supporting our existing customer franchise and reflects a well-spread nationwide portfolio. We adopt conservative credit criteria and the indexed loan-to-value of the portfolio is approximately 62 per cent. One third of the portfolio is residential lending, over half of which is to local authority backed public housing.

Operating expenses increased by 3 per cent to GBP632 million, reflecting further investment in people to support ongoing business growth. The trading surplus, excluding market dislocation, increased by 26 per cent. The impairment charge of GBP240 million includes GBP92 million from the impact of market dislocation and

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the GBP28 million one-off charge relating to the impact of the 2007 Finance Act on the division's leasing business. Excluding these items, the underlying increase in the impairment charge reflects lower levels of releases and recoveries, recent strong growth in corporate customer lending and impairments relating to two special situations.

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WHOLESALE AND INTERNATIONAL BANKING (continued)

Commercial Banking

	2007	2006
	GBPm	GBPm
Net interest income	890	821
Other income	429	397
Total income	1,319	1,218
Operating expenses	(769)	(727)
Trading surplus	550	491
Impairment	(99)	(93)
Profit before tax	451	398

Profit before tax in Commercial Banking grew by GBP53 million, or 13 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 GBP1,319 million, reflecting strong growth in lending and deposit balances, whilst costs were 6 per cent higher, as a result of increased investment to improve the operating platform. Commercial Banking continued to develop and grow its customer franchise strongly, with customer recruitment of 120,000 during 2007, reflecting its market-leading position in the start-up market with a market share of 21 per cent. We also made good progress in continuing to attract customers 'switching' from other financial services providers. 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 good with impairment charges as a percentage of average lending reducing by 7 basis points to 0.60 per cent, partly reflecting our move to increase levels of secured lending.

Asset Finance

	2007	2006
	GBPm	GBPm
Net interest income	299	331
Other income	472	529
Total income	771	860
Operating expenses	(483)	(508)
Trading surplus	288	352
Impairment	(228)	(239)
Profit before tax	60	113

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Profit before tax in Asset Finance decreased by 47 per cent to GBP60 million, largely reflecting continued tight 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 GBP89 million, or 10 per cent. Costs were 5 per cent lower and the impairment charge decreased by GBP11 million to GBP228 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 marketwide 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 INCOME STATEMENT - STATUTORY

	2007 GBPm
Interest and similar income	16,874
Interest and similar expense	(10,775)
Net interest income	6,099
Fee and commission income	3,224
Fee and commission expense	(600)
Net fee and commission income	2,624
Net trading income	3,123
Insurance premium income	5,430
Other operating income	952
Other income	12,129
Total income	18,228
Insurance claims	(7,522)
Total income, net of insurance claims	10,706
Operating expenses	(5,567)
Trading surplus	5,139
Impairment	(1,796)
Profit on sale of businesses	657
Profit before tax	4,000
Taxation	(679)
Profit for the year	3,321
Profit attributable to minority interests	32
Profit attributable to equity shareholders	3,289
Profit for the year	3,321
Basic earnings per share	58.3p
Diluted earnings per share	57.9p
Dividend per share for the year*	35.9p
Dividend for the year*	GBP2,026m

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

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CONSOLIDATED BALANCE SHEET - STATUTORY

	31 December
	2007
	GBPm
Assets	
Cash and balances at central banks	4,330
Items in course of collection from banks	1,242
Trading and other financial assets at fair value through profit or loss	57,911
Derivative financial instruments	8,659
Loans and advances to banks	34,845
Loans and advances to customers	209,814
Available-for-sale financial assets	20,196
Investment property	3,722
Goodwill	2,358
Value of in-force business	2,218
Other intangible assets	149
Tangible fixed assets	2,839
Other assets	5,063
Total assets	353,346
Equity and liabilities	
Deposits from banks	39,091
Customer accounts	156,555
Items in course of transmission to banks	668
Trading and other liabilities at fair value through profit or loss	3,206
Derivative financial instruments	7,582
Debt securities in issue	51,572
Liabilities arising from insurance contracts and participating investment contracts	38,063
Liabilities arising from non-participating investment contracts	18,197
Unallocated surplus within insurance businesses	554
Other liabilities	9,690
Retirement benefit obligations	2,144
Current tax liabilities	484
Deferred tax liabilities	948
Other provisions	209
Subordinated liabilities	11,958
Total liabilities	340,921
Equity	
Share capital	1,432
Share premium account	1,298
Other reserves	(60)
Retained profits	9,471
Shareholders' equity	12,141
Minority interests	284
Total equity	12,425
Total equity and liabilities	353,346

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - STATUTORY

	Attributable to equity shareholders				
	Share capital and premium	Other reserves	Retained profits	Minority interests	
	GBPm	GBPm	GBPm	GBPm	GBPm
Balance at 1 January 2006	2,590	395	7,210	435	
Movements in available-for-sale financial assets, net of tax:					
- change in fair value	-	(10)	-	-	
- transferred to income statement in respect of disposals	-	(21)	-	-	
Movement in cash flow hedges, net of tax	-	1	-	-	
Currency translation differences	-	(29)	-	(4)	
Net income recognised directly in equity	-	(59)	-	(4)	
Profit for the year	-	-	2,803	104	
Total recognised income for the year	-	(59)	2,803	100	
Dividends	-	-	(1,919)	(32)	
Purchase/sale of treasury shares	-	-	(35)	-	
Employee share option schemes:					
- value of employee services	-	-	65	-	
- proceeds from shares issued	105	-	-	-	
Repayment of capital to minority shareholders	-	-	-	(151)	
Balance at 31 December 2006	2,695	336	8,124	352	
Movements in available-for-sale financial assets, net of tax:					
- change in fair value	-	(436)	-	-	
- transferred to income statement in respect of disposals	-	(5)	-	-	
- transferred to income statement in respect of impairment	-	49	-	-	
- disposal of businesses	-	(6)	-	-	
Movement in cash flow hedges, net of tax	-	(15)	-	-	
Currency translation differences	-	17	-	(1)	
Net income recognised directly in equity	-	(396)	-	(1)	
Profit for the year	-	-	3,289	32	
Total recognised income for the year	-	(396)	3,289	31	
Dividends	-	-	(1,957)	(19)	
Purchase/sale of treasury shares	-	-	(1)	-	
Employee share option schemes:					
- value of employee services	-	-	16	-	
- proceeds from shares issued	35	-	-	-	
Repayment of capital to minority shareholders	-	-	-	(80)	
Balance at 31 December 2007	2,730	(60)	9,471	284	

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT - STATUTORY

	2007 GBPm
Profit before tax	4,000
Adjustments for:	
Change in operating assets	(16,982)
Change in operating liabilities	21,541
Non-cash and other items	2,784
Tax paid	(859)
Net cash provided by operating activities	10,484
Cash flows from investing activities	
Purchase of available-for-sale financial assets	(21,667)
Proceeds from sale and maturity of available-for-sale financial assets	19,468
Purchase of fixed assets	(1,334)
Proceeds from sale of fixed assets	982
Acquisition of businesses, net of cash acquired	(8)
Disposal of businesses, net of cash disposed	1,476
Net cash used in investing activities	(1,083)
Cash flows from financing activities	
Dividends paid to equity shareholders	(1,957)
Dividends paid to minority interests	(19)
Interest paid on subordinated liabilities	(709)
Proceeds from issue of subordinated liabilities	-
Proceeds from issue of ordinary shares	35
Repayment of subordinated liabilities	(300)
Repayment of capital to minority shareholders	(80)
Net cash used in financing activities	(3,030)
Effects of exchange rate changes on cash and cash equivalents	82
Change in cash and cash equivalents	6,453
Cash and cash equivalents at beginning of year	25,438
Cash and cash equivalents at end of year	31,891

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

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Banking, Insurance and Investments and Wholesale and International Banking. Central group items includes the funding cost of certain acquisitions less earnings on capital, central costs and accruals for payment to the Lloyds TSB Foundations.

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

Year ended	UK	General	Life,	Insurance	Wholesale	Centr
31 December 2007	Retail	insurance	pensions	and	and	gro
	Banking		and asset	Investments	International	item
	GBPm	GBPm	management	and	Banking	GB
			GBPm	GBPm	GBPm	(2,0
Interest and similar income*	8,018	23	1,040	1,063	9,834	(2,0
Interest and similar expense*	(4,235)	-	(527)	(527)	(7,316)	1,3
Net interest income	3,783	23	513	536	2,518	(7
Other income (net of fee and commission expense)	1,797	554	7,643	8,197	1,773	3
Total income	5,580	577	8,156	8,733	4,291	(3
Insurance claims	-	(302)	(7,220)	(7,522)	-	-
Total income, net of insurance claims	5,580	275	936	1,211	4,291	(3
Operating expenses	(2,624)	(154)	(501)	(655)	(2,282)	-
Trading surplus (deficit)	2,956	121	435	556	2,009	(3
Impairment	(1,224)	-	-	-	(572)	-
Profit on sale of businesses	-	-	272	272	385	-
Profit (loss) before tax	1,732	121	707	828	1,822	(3
External revenue	9,132	1,235	8,854	10,089	10,082	3
Inter-segment revenue*	1,012	49	181	230	1,559	(2,8
Segment revenue	10,144	1,284	9,035	10,319	11,641	(2,5

*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(3,138) million (2006: GBP(3,241) million); interest and similar expense GBP3,138 million (2006: GBP3,241 million). There is no impact on net interest income. Similarly, Central group items includes inter-segment revenue adjustments of GBP(4,103) million (2006: GBP(4,102) million).

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CONDENSED SEGMENTAL ANALYSIS - STATUTORY (unaudited)

Year ended	UK	General	Life,	Insurance	Wholesale	Centr
31 December 2006	Retail	Insurance	pensions	and	and	gr

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	Banking		and asset management	Investments	International Banking	ite
	GBPm	GBPm	GBPm	GBPm	GBPm	G
Interest and similar income*	6,913	24	820	844	8,598	(2,
Interest and similar expense*	(3,271)	-	(741)	(741)	(6,421)	1,
Net interest income	3,642	24	79	103	2,177	(
Other income (net of fee and commission expense)	1,621	594	9,893	10,487	2,035	(
Total income	5,263	618	9,972	10,590	4,212	(
Insurance claims	-	(200)	(8,369)	(8,569)	-	(
Total income, net of insurance claims	5,263	418	1,603	2,021	4,212	(
Operating expenses	(2,476)	(157)	(481)	(638)	(2,264)	(
Trading surplus (deficit)	2,787	261	1,122	1,383	1,948	(
Impairment	(1,238)	-	-	-	(308)	(
Profit (loss) before tax	1,549	261	1,122	1,383	1,640	(
External revenue	8,136	1,249	10,888	12,137	8,659	(3,
Inter-segment revenue*	698	19	199	218	2,276	(3,
Segment revenue	8,834	1,268	11,087	12,355	10,935	(3,

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1. Accounting policies, presentation and estimates

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The 2007 results have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The accounting policies adopted in the preparation of these results are unchanged from those disclosed in 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_reports_page.asp or are available upon request from the Company Secretary's Department, Lloyds TSB Group plc, 25 Gresham Street, London EC2V 7HN.

The following pronouncements relevant to the Group are applicable for the year ended 31 December 2007:

Pronouncement	Nature of change	Effective date
IFRS 7 Financial Instruments: Disclosures	Consolidates 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

The relevant disclosures are included in the Group's consolidated financial statements for the year ended 31 December 2007.

2. Volatility

Banking volatility

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

The use of fair values in financial reporting is now more widespread and there is a better understanding of their effects; consequently, in line with evolving best practice, the Group no longer considers it appropriate to disclose banking volatility separately. Divisions will continue to transfer, through the Group's internal transfer pricing arrangements, 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.

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2. Volatility (continued)

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 year 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, including market spreads reflecting credit risk premia, are also included within insurance volatility. These market credit spreads represent the gap between the yield on corporate bonds and the yield on government bonds, and reflect the market's assessment of credit risk. Changes in the credit spreads affect the value of the in-force business asset in respect of the annuity portfolio.

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:

	2008	2007
	%	%
Gilt yields (gross)	4.55	4.62
Equity returns (gross)	7.55	7.62
Dividend yield	3.00	3.00

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Property return (gross)	7.55	7.62
Corporate bonds (gross)	5.15	5.22

During 2007, profit before tax included negative insurance volatility of GBP267 million, being a credit of GBP7 million to net interest income and a charge of GBP274 million to other income (2006: positive volatility of GBP84 million, being a credit of GBP2 million to net interest income and a credit of GBP82 million to other income). The effect of widening credit risk spreads and falling gilt values more than offset the favourable impact of a modest increase in equity values and changes in market consistent assumptions. During 2006 increases in equity values were partly offset by lower gilt values.

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.

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2. Volatility (continued)

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 year includes the minorities' share of the profits earned. As set out below these amounts do not accrue to the equity holders, accordingly management believes a clearer representation of the underlying performance of the Group's life and pensions businesses is presented by excluding policyholder interests volatility.

Net interest income		20
Other income		GB
Profit before tax		(2
Taxation - policyholder		(2
Minority interests		2
Profit attributable to equity shareholders		(

During 2007, profit before tax included negative policyholder interests

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volatility of GBP233 million, being a charge to other income (2006: positive volatility of GBP326 million, being a charge of GBP33 million to net interest income and a credit of GBP359 million to other income). In 2007, su