LLOYDS TSB GROUP PLC
Form 6-K
July 30, 2004

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

30 July, 2004

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.

Yes .....No ..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 30 July, 2004
re: Interim Results

LLOYDS TSB GROUP PLC - RESULTS FOR HALF-YEAR TO 30 JUNE 2004

PRESENTATION OF RESULTS

In order to provide a clearer representation of the underlying performance of the Group, the results of the Group's life and pensions, and general insurance businesses include investment earnings calculated using longer-term investment rates of return (page 42, note 7). The difference between the normalised investment earnings and the actual return ('the investment variance') together with the impact of changes in the economic assumptions used in the embedded value calculation (page 43, note 8), and the profit on the sale of a number of overseas businesses in 2003 (page 43, note 9) have been separately analysed and a reconciliation to the Group's profit before tax is shown on page 1.

Unless otherwise stated, the profit and loss analysis in this document compares the half-year to 30 June 2004 to the corresponding period of 2003.

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. Lloyds TSB Group's actual future results may differ materially from the results expressed or implied in these forward looking statements as a result of a variety of factors, including UK domestic and global economic and business conditions, risks concerning borrower credit quality, market related risks such as interest rate risk and exchange rate risk in its banking business and equity risk in its insurance businesses, changing demographic trends, unexpected changes to regulation or regulatory actions, changes in customer preferences, competition and other factors. Please refer to the latest Annual Report on Form 20-F of Lloyds TSB Group filed with the US Securities and Exchange Commission for a discussion of such factors.

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PROFIT BEFORE TAX BY MAIN BUSINESSES

	Half-year to 30 June 2004 GBPm	2 G
UK Retail Banking		
Before provisions for customer redress	818	
Provisions for customer redress	-	(
	818	
Insurance and Investments		
Before provisions for customer redress	378	
Provisions for customer redress	-	(
	378	
Wholesale and International Banking (continuing operations)	616	
Central group items	(167)	
Profit before tax from continuing operations, excluding changes in economic assumptions, investment variance and (loss) profit on sale of businesses	1,645	1,
Changes in economic assumptions (page 43, note 8)	7	
Investment variance (page 42, note 7)	(72)	
Loss on sale of businesses in 2004	(16)	
Discontinued operations in 2003	-	
Profit before tax	1,564	1,

2003 figures have been restated to reflect changes in the Group's segmental analysis following the introduction, in 2004, of the management of the Group's distribution channels as profit centres, and other changes in internal pricing arrangements. These changes have not resulted in any restatement to Group profit before tax.

LLOYDS TSB GROUP

PERFORMANCE HIGHLIGHTS

This analysis compares the half-year to 30 June 2004 to the corresponding period in 2003.

Results - statutory

- Profit before tax decreased by GBP118 million, or 7 per cent, to GBP1,564 million.
- Profit attributable to shareholders decreased by GBP75 million, or 6 per cent, to GBP1,083 million.
- Earnings per share decreased by 6 per cent to 19.4p.
- Post-tax return on average shareholders' equity 22.1 per cent.
- Total capital ratio 10.6 per cent, Tier 1 capital ratio 9.5 per cent.
- Interim dividend of 10.7p per share (2003: 10.7p).

Results - continuing operations excluding investment variance, changes in economic assumptions and loss on sale of businesses

- Profit before tax increased by GBP174 million, or 12 per cent, to GBP1,645 million.
- Earnings per share increased by 13 per cent to 20.6p.
- Economic profit increased by 10 per cent to GBP710 million.
- Post-tax return on average shareholders' equity 23.5 per cent.
- Post-tax return on average risk-weighted assets increased to 1.95 per cent.

Key achievements - continuing operations

- The Group has continued to improve its market share in key product areas.
- Good franchise growth with customer lending up by 9 per cent to GBP142 billion and customer deposits up by 4 per cent to GBP118 billion.

- Income growth exceeded cost growth as strict cost control has been maintained in all businesses, (page 45, note 12).

- Asset quality remains strong.

- Capital ratios remain strong.

LLOYDS TSB GROUP

PERFORMANCE HIGHLIGHTS - CONTINUING OPERATIONS

Key achievements - UK Retail Banking

- Strong balance growth in mortgages, credit cards, personal loans and current account deposits.

  - Mortgage balances increased by 13 per cent to GBP76.3 billion.

  - Credit card balances increased by 31 per cent to GBP7.2 billion, or by 14 per cent excluding the Goldfish acquisition.

  - Personal loan balances increased by 12 per cent to GBP10.0 billion.

  - Current account deposits increased by 10 per cent to GBP18.2 billion.

- 20 per cent increase in sales from direct channels.

- 13 per cent increase in quality customer current account recruitment.

- Profit before tax, excluding customer redress provisions, increased by 3 per cent to GBP818 million.

Key achievements - Insurance and Investments

- New business contribution in Scottish Widows increased by 7 per cent.

- Life and pensions new business margin increased to 24.3 per cent, from 23.4 per cent in the first half of 2003.

- Improvements made in the bancassurance product offer, including new product launches.

- 24 per cent increase in weighted sales in second quarter of 2004, compared to the first quarter of 2004.

- Scottish Widows remains on track to pay a 2004 dividend to Lloyds TSB Group.

- Profit before tax, excluding customer redress provisions, changes in economic assumptions and investment variance, increased by 10 per cent to GBP378 million.

Key achievements - Wholesale and International Banking

- Good progress in delivering our strategy of leveraging existing business and corporate customer relationships.

- 10 per cent increase in corporate relationship banking income.

- All businesses performing well; strong new business pipeline.

- Strong market share growth in motor finance.

- Cost control maintained.

- Significant improvement in asset quality.

- Improved capital efficiency - return on risk-weighted assets, excluding loss on sale of businesses, improved to 1.44 per cent, from 1.11 per cent in the first half of 2003.

- Profit before tax, excluding loss on sale of businesses, increased by 26 per cent to GBP616 million.

LLOYDS TSB GROUP

SUMMARY OF RESULTS

	Half-year to 30 June		
	2004	2003	Incre (Decre
Results - statutory	GBPm	GBPm	%
Total income	4,530	4,937	
Operating expenses	2,363	2,627	(
Trading surplus	2,167	2,310	
Provisions for bad and doubtful debts	442	470	
Profit before tax	1,564	1,682	
Profit attributable to shareholders	1,083	1,158	
Economic profit (page 41, note 4)	643	788	(
Earnings per share (pence)	19.4	20.7	
Post-tax return on average shareholders' equity (%)	22.1	28.1	

Results - continuing operations, excluding investment variance, changes in economic assumptions and (loss) profit on sale of businesses

Total income	4,595	4,528
Operating expenses	2,363	2,484
Trading surplus	2,232	2,044
Provisions for bad and doubtful debts	442	430
Profit before tax	1,645	1,471
Economic profit	710	647
Earnings per share (pence)	20.6	18.2
Post-tax return on average shareholders' equity (%)	23.5	n/a
Balance sheet	GBPm	GBPm
Shareholders' equity	10,098	8,603
Net assets per share (pence)	178	152
Total assets	266,861	264,476
Loans and advances to customers	141,508	141,990
Customer deposits	118,300	121,433
Risk asset ratios	%	%
Total capital	10.6	10.1
Tier 1 capital	9.5	8.1
Shareholder value		
Closing market price per share (period-end)	431.75p	430p
Total market value of shareholders' equity	GBP24.2bn	GBP24.0bn
Dividends per share	10.7p	10.7p

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GROUP CHIEF EXECUTIVE'S REVIEW OF PERFORMANCE

Lloyds TSB has continued to make good progress in implementing the key priorities that were set out in 2003 to provide the framework for profitable franchise growth. The Group's results for the first half of the year have been significantly affected by the impact of the overseas business disposals made in the second half of 2003. However the Group has continued to make financial and strategic progress in each of its three business areas, notwithstanding net interest margin pressures in the retail business.

During the first half of 2004, statutory profit before tax decreased by GBP118 million, or 7 per cent, to GBP1,564 million, largely as a result of the impact of the overseas business disposals made last year and a negative investment variance in the Group's insurance businesses in the first half of 2004. Profit attributable to shareholders was 6 per cent lower at GBP1,083 million and earnings per share decreased by 6 per cent to 19.4p. The post-tax return on average shareholders' equity was 22.1 per cent.

To enable meaningful comparisons to be made with prior periods it is appropriate to exclude the impact of business disposals, investment variances and changes in economic assumptions in the Group's insurance businesses. On this basis, profit before tax increased by GBP174 million, or 12 per cent, to GBP1,645 million. In key product areas the Group continued to grow market share, particularly in mortgages and credit cards. As a result, on a continuing operations basis, over the last twelve months customer lending grew by 9 per cent to GBP142 billion, and customer deposits increased by 4 per cent to GBP118 billion. On the same basis, the Group net interest margin was 2.89 per cent, compared to 2.92 per cent. The strong growth in lending and deposit volumes, however, ensured that this reduction in the Group net interest margin was more than compensated for by volume growth, resulting in an overall increase in net interest income from continuing operations of 7 per cent.

As a result of the Group's constant focus on cost control the cost:income ratio improved to 51.4 per cent, compared with 52.7 per cent. Total income, on a consistent basis, increased by 6 per cent, whilst operating expenses increased by 3 per cent (page 45, note 12).

Management priorities

In 2003, the management team set a series of priorities to guide the Group and provide a framework to build the franchise. The three key themes are:

- to manage actively the portfolio of businesses and to reduce risk and earnings volatility,

- to maintain and build profitability, and,

- to deliver profitable growth.

We have continued to make good progress in each of these priorities and the main achievements over the last six months are summarised below.

Managing the business portfolio

Having disposed of a number of overseas businesses in 2003, the Group has now completed the disposal of its businesses in Panama and Guatemala, and the sale of the Group's business in Honduras, which remains subject to approval by regulatory authorities, is expected to be completed during the second half of 2004. In July 2004, the Group also announced the sale, subject to regulatory approvals, of its businesses in Argentina and Colombia. The Group's exposure to Latin America has been significantly reduced over the last twelve months, reducing potential sources of earnings volatility and allowing the Group to concentrate its resources on its core retail and corporate customer franchises.

We have also continued to make progress in improving our risk management processes through effectively embedding the Group's new risk infrastructure and governance framework, improving our reporting of the Group's consolidated risk position, and enhancing our planning procedures. Credit quality is strong and we maintain tight control over risk positions and quality.

We continue to build on our customer development programme designed to guide the organisation into building deeper long-term relationships which will both further strengthen our customer franchise and address the risks of regulatory censure.

Maintaining and building profitability

In our key financial measures of performance, during the first half of 2004 the Group's continuing operations, excluding investment variance, changes in economic assumptions and loss on sale of businesses, have delivered a 10 per cent increase in economic profit to GBP710 million, and a post-tax return on equity of 23.5 per cent. In all areas of our business the Group has continued to focus on capital efficient profit growth and, as a result, the Group's return on average risk-weighted assets, on the same basis, increased to 1.95 per cent, from 1.86 per cent in the first half of 2003. In our life assurance business we have continued to focus on more profitable and capital efficient business and, consequently, we have achieved increases in both the contribution from new business and in the life and pensions new business margin.

Our cost performance continues to be strong and strict cost control remains a high priority throughout the Group. In the first half of 2004, operating expenses in the Group's continuing operations, excluding customer redress provisions, increased by 3 per cent. Our focus on reducing day-to-day operating costs has continued and during the last six months we have extended the use of our quality approach to process management to cover over 50 per cent of the Group's transactions. In the first half of the year the Group improved its quality measures and this has resulted in an improvement in both customer satisfaction and our operational efficiency.

Asset quality has remained strong and the Group's charge for provisions for bad and doubtful debts, from continuing operations, improved to 0.63 per cent, compared to 0.66 per cent in the first half of last year. Non-performing lending as a percentage of total lending decreased to 0.8 per cent from 1.0 per cent 12 months ago, largely reflecting the improved quality of the Group's corporate lending portfolio.

Delivering growth

In UK Retail Banking we have focused our attention on delivering strong franchise growth during a period of extensive business re-engineering. During the first half of the year, the Group undertook a pilot in Central London which has significantly increased the autonomy and accountability of business managers within their local markets. The change has been accompanied by a move from just measuring sales volumes to measuring value creation. The results have already led to an improved performance in quality customer recruitment, new product sales and staff and customer service levels, and we will be managing all our branch network on this business model during the second half of 2004.

There was strong growth in credit card balances, up 31 per cent, and in personal loan balances outstanding, up 12 per cent, (14 per cent and 11 per cent respectively excluding the impact of the Goldfish lending portfolios which were acquired in the second half of 2003). Current account deposit balances increased by 10 per cent. In the mortgages business net new lending was a record GBP5.5 billion, resulting in an estimated market share of net new lending of 10.4 per cent. These good levels of franchise growth were however partly offset by a reduction in the net interest margin. Costs remained tightly controlled and asset quality remains satisfactory. Excluding the GBP200 million provision for customer redress taken in the first half of 2003, pre-tax profit from UK Retail Banking increased by GBP25 million, or 3 per cent, to GBP818 million.

In Insurance and Investments we have increased our focus on more profitable and capital efficient products and have seen good improvements in profitability in many product areas. The Group has continued its focus on multi-channel distribution and, in particular, has made progress in repositioning the Group's offer through the branch network. We have improved the efficiency of the salesforce, launched a number of new products specifically designed for distribution through the branch network, and are in the process of simplifying sales processes.

Excluding investment variance, changes in economic assumptions and the GBP100 million provision for customer redress taken in the first half of 2003, pre-tax profits from Insurance and Investments increased by 10 per cent to GBP378 million. New business contribution increased by 7 per cent and the margin on new business increased to 24.3 per cent, from 23.4 per cent in the first half of 2003. Overall, weighted sales in the Group's life, pensions and unit trust businesses in the first half of 2004 were slightly lower at GBP354.6 million. There was however a 24 per cent increase in weighted sales in the second quarter of 2004, compared with the first quarter of 2004. In the Group's general insurance operations, continued growth in household insurance revenues, which increased by 8 per cent, was partly offset by a reduction in creditor insurance revenues.

In Wholesale and International Banking, our key focus has been on leveraging our existing business and corporate customer franchises to deepen relationships. We have broadened our product range, and positive results are emerging from the closer co-ordination of our Corporate and Financial Markets businesses. The Wholesale Bank has delivered good performance in all major business units during the first half of 2004, and has improved capital efficiency and returns.

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The post-tax return on average risk-weighted assets for Wholesale and International continuing operations, excluding loss on sale of businesses, increased to 1.44 per cent from 1.11 per cent.

Wholesale and International Banking pre-tax profit from continuing operations, excluding loss on sale of businesses, increased by 26 per cent to GBP616 million, largely as a result of an increase of 10 per cent in corporate relationship banking revenues, strong profit growth in the asset finance and development capital businesses and a reduction in provisions for bad and doubtful debts. The division has a strong new business pipeline going into the second half of the year.

Capital position

Over the last twelve months the Group's capital position has strengthened considerably. At 30 June 2004, the total capital ratio was 10.6 per cent (30 June 2003: 10.1 per cent) and the Tier 1 capital ratio was 9.5 per cent (30 June 2003: 8.1 per cent). The Group continues to plan for risk-weighted asset growth of mid-to-high single digits over the next few years, and expected profit retentions are sufficient to support this level of risk-weighted asset growth within the Group's current capital management policy. Scottish Widows remains one of the most strongly capitalised life assurance companies in the UK, and we remain satisfied with Scottish Widows' overall capital position calculated using the Financial Services Authority's new 'realistic' basis of balance sheet reporting. On a market consistent basis, we estimate a 'realistic' surplus within the long-term fund of Scottish Widows which is more than three times the required risk capital margin. Scottish Widows remains on track to pay a 2004 dividend to Lloyds TSB.

The Group continues to generate strong cash flows from its banking operations and remains one of the most profitable major banks in the world. Lloyds TSB continues to be one of only two large commercially owned banks in the world, and the only UK bank, to have a 'triple A' rating from Moody's. The Group has a clear focus on delivering organic growth, however, we also wish to maintain the flexibility to make value enhancing 'in market' acquisitions such as Goldfish and the asset finance businesses. The Board has decided to maintain the interim dividend at 10.7p per share.

Looking forward

During the first half of 2004 we have continued to focus on growth, against a backdrop of substantial economic, regulatory and competitive pressures, and have made good progress in all key areas. The continuing evolution and implementation of our organic growth strategies through the targeted delivery of profitable top line revenue growth in excess of cost growth, should ensure the

Group can successfully combine sustainable growth in economic profit and a continuing high return on equity. Despite the increasingly challenging external environment, we are establishing a track record of earnings growth and remain well positioned to deliver an improved trading performance in the second half of 2004 and beyond.

J Eric Daniels

Group Chief Executive

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SEGMENTAL ANALYSIS (unaudited)

Half-year to 30 June 2004	UK Retail Banking GBPm	Insurance and Investments GBPm	Wholesale and International Banking GBPm	Central group items GBPm	Continuing operations GBPm
Net interest income	1,589	50	967	(168)	2,438
Other finance income	-	-	-	19	19
Other income	767	582	785	4	2,138
Total income	2,356	632	1,752	(145)	4,595
Operating expenses	1,193	133	1,015	22	2,363
Trading surplus (deficit)	1,163	499	737	(167)	2,232
General insurance claims	-	121	-	-	121
Bad debt provisions	344	-	98	-	442
Amounts written off fixed asset investments	-	-	23	-	23
Share of results of joint ventures	(1)	-	-	-	(1)
Profit (loss) before tax*	818	378	616	(167)	1,645
Loss on sale of businesses	-	-	(16)	-	(16)
Changes in economic assumptions	-	7	-	-	7
Investment variance	-	(72)	-	-	(72)
Profit (loss) before tax	818	313	600	(167)	1,564

Half-year to Wholesale

30 June 2003+	UK Retail Banking GBPm	Insurance and Investments GBPm	and International Banking GBPm	Central group items GBPm	Continuing operations GBPm
Net interest income	1,515	39	898	(167)	2,285
Other finance income	-	-	-	17	17
Other income	741	447	750	288	2,226
Total income	2,256	486	1,648	138	4,528
Operating expenses	1,354	133	991	6	2,484
Trading surplus	902	353	657	132	2,044
General insurance claims	-	108	-	-	108
Bad debt provisions	298	-	145	(13)	430
Amounts written off fixed asset investments	-	-	24	-	24
Share of results of joint ventures	(11)	-	-	-	(11)
Profit before tax*	593	245	488	145	1,471
Loss on sale of businesses	-	-	-	-	-
Changes in economic assumptions	-	(8)	-	-	(8)
Investment variance	-	42	-	-	42
Profit before tax	593	279	488	145	1,505

*excluding loss on sale of businesses, changes in economic assumptions and investment variance
+restated (page 38, note 1)

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SEGMENTAL ANALYSIS (unaudited)

Half-year to 31 December 2003+	UK Retail Banking GBPm	Insurance and Investments GBPm	Wholesale and International Banking GBPm	Central group items GBPm	Continuing operations GBPm
Net interest income	1,622	42	977	(182)	2,459
Other finance income	-	-	-	17	17
Other income	792	534	811	11	2,148
Total income	2,414	576	1,788	(154)	4,624
Operating expenses	1,229	128	1,057	3	2,417
Trading surplus (deficit)	1,185	448	731	(157)	2,207
General insurance claims	-	128	-	-	128
Bad debt provisions	296	-	161	-	457
Amounts written off fixed asset investments	-	-	20	-	20

Share of results of joint ventures	(11)	-	-	-	(11)
Profit (loss) before tax*	878	320	550	(157)	1,591
Profit on sale of businesses	-	-	-	-	-
Changes in economic assumptions	-	(14)	-	-	(14)
Investment variance	-	83	-	-	83
Profit (loss) before tax	878	389	550	(157)	1,660

*excluding profit on sale of businesses, changes in economic assumptions and investment variance

+restated (page 38, note 1)

PERIOD END ASSETS BY MAIN BUSINESSES

	30 June 2004 GBPm	20 GB
UK Retail Banking	96,843	85,
Insurance and Investments*	9,728	9,
Wholesale and International Banking (continuing operations)	109,386	105,
Central group items	281	
Total assets - continuing operations*	216,238	200,
Discontinued operations	-	15,
Total assets*	216,238	216,

*excluding long-term assurance assets attributable to policyholders

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PERFORMANCE BY SECTOR

UK Retail Banking

(covering the Group's UK retail businesses, providing banking and financial services to personal customers; mortgages; and private banking)

	Half-year to 30 June 2004 GBPm	200 GB
Net interest income	1,589	1,
Other income	767	
Total income	2,356	2,
Operating expenses:		
Before provisions for customer redress	1,193	1,
Provisions for customer redress	-	
	1,193	1,
Trading surplus	1,163	
Provisions for bad and doubtful debts	344	
Share of results of joint ventures	(1)	
Profit before tax	818	
Profit before tax, before provisions for customer redress	818	
Cost:income ratio, before provisions for customer redress	50.6%	51
Total assets (period-end)	GBP96.8bn	GBP85.
Total risk-weighted assets (period-end)	GBP57.6bn	GBP51.

+restated (page 38, note 1)

Profit before tax from UK Retail Banking increased by GBP225 million, or 38 per cent, to GBP818 million, compared to GBP593 million in the first half of 2003, supported by continued strong growth in the Group's consumer lending portfolios, particularly mortgages and credit cards, higher current account credit balances, a strict focus on cost control and the absence of a provision for customer redress. Excluding the impact of the GBP200 million provision for customer redress taken in the first half of 2003, profit before tax from UK Retail Banking increased by 3 per cent, as the good levels of franchise growth were partly offset by product margin erosion. Income growth of 4 per cent exceeded cost growth, excluding customer redress provisions, of 3 per cent.

The UK Retail Banking strategy focuses on the delivery of tailored and personalised customer offers and products to recruit and retain quality customers by meeting their individual needs and deepening our relationship with them.

UK Retail Banking (continued)

As part of our focus on delivering value, we are becoming increasingly customer focused. All distribution channels are now profit centres, rather than cost centres, resulting in greater accountability for the distribution profit of all retail products including bancassurance products. We have fundamentally restructured our retail branch network through the establishment of 165 profit centred local markets, moving decision making closer to the customers and investing in more front line staff at the expense of regional and head office jobs. As part of this exercise, during the first half of 2004, we have focused on developing our business in the London and South East markets where Lloyds TSB is currently under represented.

We have introduced commission based payments to our distribution channels for new business, and further improved our sales capabilities within our telephony and internet channels. We continue to leverage our multi-channel capability to provide convenient service to customers whilst migrating activities to lower cost channels where appropriate. More than 1.5 million customers are now active users of internet banking.

Over the last six months, we have maintained or increased our leading market share in key product areas including personal loans, credit cards, mortgages and current accounts. Within personal loans, key initiatives include the use of behavioural and risk-based pricing, leveraging our data advantage to identify key target segments, enabling the Group to deliver more competitive pricing to quality customers and to price by distribution channel within the Lloyds TSB franchise, whilst continuing to avoid sub-prime lending.

Customers are increasingly choosing to buy via direct channels and continued investment in our direct channel capabilities has supported good levels of business growth. In the first half of 2004, some 500,000 product sales were achieved through the internet channel, an increase of 27 per cent compared with the first half of 2003, and 160 million transactions were processed through internet banking, an increase of 28 per cent on the first half of 2003. Sales through direct channels represented 49 per cent of total sales in the first half of 2004.

We have continued to grow the credit card franchise, in a highly competitive environment, through the use of multiple brands with flexible offers for targeted segments, whilst continuing to rationalise back office operations to improve efficiency and levels of customer service and satisfaction.

The Group's 'Plus' range of interest-bearing current accounts continues to support the retention of high quality customers within the retail banking franchise, as well as enabling the Group to attract new-to-brand customers through a competitively priced offer. Quality customer current account recruitment increased by 13 per cent, compared with the first half of 2003, whilst quality current account attrition was 12 per cent lower reflecting the improvements which have been made in levels of service and customer satisfaction, together with the Group's improved range of personalised product offers. Lloyds TSB has maintained its clear market leadership in the added value current account market, with over 4 million customers.

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UK Retail Banking (continued)

The popularity of the Premier Banking products for the mass affluent segment continues to grow, with some 41,000 customers selecting this offer since its launch in March 2003. This is complemented by a private banking service for high net worth customers.

	Half-year to 30 June	
	2004	2
Mortgages	GBPm	G
Gross new mortgage lending	GBP13.6bn	GBP12.
Market share of gross new mortgage lending	9.4%	9
Net new mortgage lending	GBP5.5bn	GBP4.
Market share of net new mortgage lending	10.4%	10
Mortgages outstanding (period-end)	GBP76.3bn	GBP67.
Market share of mortgages outstanding	9.2%	9

Gross new mortgage lending increased by 13 per cent to a record GBP13.6 billion, compared with GBP12.0 billion in the first half of 2003. Net new lending increased to GBP5.5 billion resulting in an estimated market share of net new lending of 10.4 per cent. Over the last 12 months, mortgage balances outstanding increased by 13 per cent to GBP76.3 billion.

C&G continues to operate a successful multi-channel distribution strategy through the Lloyds TSB branch network, C&G branches, intermediaries, telephone and the internet. The Group continues to be one of the most efficient mortgage providers in the UK and C&G total costs as a percentage of mortgage assets were 0.5 per cent in the first half of 2004.

C&G has a wide range of mainstream mortgage offers, enhanced by the launch of 'First Time Buyer' and 'Offset' products during the first half of 2004. C&G focuses on prime lending market segments, and has continued its policy of not exceeding a 95 per cent loan-to-value ratio on new lending. The average indexed loan-to-value ratio on the C&G mortgage portfolio was 42 per cent (30 June 2003: 44 per cent), and the average loan-to-value ratio for C&G mortgage business written during the first half of 2004 was 65 per cent (2003 first half: 65 per cent). At 30 June 2004, 88.6 per cent of C&G mortgage balances had an indexed loan-to-value ratio of less than 80 per cent and only 0.1 per cent of balances had a loan-to-value ratio in excess of 95 per cent.

Asset quality remains strong. A slight improvement in arrears and the beneficial effect of house price increases have meant that bad debt provisions remained at low levels. New provisions were more than offset by releases and recoveries resulting in a GBP12 million net provisions release for the half-year, compared with a net release of GBP5 million in the first half of 2003.

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UK Retail Banking (continued)

	Half-year to 30 June	
	2004	2
Provisions for bad and doubtful debts by product	GBPm	G
Personal loans/overdrafts	236	
Credit cards	120	
Mortgages	(12)	
	344	
Charge as a percentage of average lending*	%	
Personal loans/overdrafts	4.34	4
Credit cards	3.51	3
Mortgages	(0.03)	(0

*annualised

Bad debt provisions increased by GBP46 million, or 15 per cent, to GBP344 million. GBP21 million of this increase reflected the acquisition in the second half of 2003 of the Goldfish credit card and personal lending portfolios and the residual increase largely reflected volume related asset growth in personal loan and credit card lending. The provisions charge as a percentage of average lending for personal loans and overdrafts fell to 4.34 per cent, from 4.44 per cent in the first half of 2003, while the charge in the credit card portfolio increased to 3.51 per cent, from 3.34 per cent in the first half of 2003. In the mortgages business, there was a net provision release of GBP12 million. Overall, the provisions charge as a percentage of average lending was 0.76 per cent, compared to 0.75 per cent in the first half of 2003.

During the first half of 2004 there has been an increase in the level of complaints relating to sales and performance of certain endowment based savings products. The Group maintains provisions for customer redress in respect of these past product sales and, at 30 June 2004, these provisions had not been fully utilised. The Group will continue to review the adequacy of these provisions.

LLOYDS TSB GROUP

Insurance and Investments

(the life, pensions and unit trust businesses of Scottish Widows and Abbey Life; general insurance underwriting and broking; and Scottish Widows Investment Partnership)

	Half-year to 30 June 2004 GBPm	20 G
Life, pensions and unit trusts		
Scottish Widows	256	
Abbey Life	38	
Provisions for customer redress	-	(
	294	
General insurance	82	
Operating profit from Insurance	376	
Scottish Widows Investment Partnership	2	
Profit before tax*	378	
Profit before tax, before provisions for customer redress*	378	

*excluding changes in economic assumptions and investment variance
+restated (page 38, note 1)

Profit before tax from Insurance and Investments, excluding changes in economic assumptions and investment variance, increased by GBP133 million, or 54 per cent, to GBP378 million, from GBP245 million in the first half of 2003. Profit before tax from our life, pensions and unit trust businesses increased by GBP127 million, or 76 per cent, to GBP294 million.

The market for medium and long-term investments has continued to be adversely affected by uncertainties in global stock markets although, based on Scottish Widows' sales performance, there have been signs in the second quarter of 2004 of some confidence returning to the long-term savings and investment markets. Our strategy of increasing the Group's focus on more profitable and capital efficient business has resulted in an increase in market share in protection and specialist pension products whilst reducing emphasis on some lower return products such as individual stakeholder pensions. As a result, the life and pensions new business contribution rose by 7 per cent and the new business margin increased to 24.3 per cent from 23.4 per cent in the first half of 2003.

Overall, weighted sales in the first half of 2004 were GBP354.6 million compared to GBP366.6 million in the first half of last year, a reduction of 3 per cent. In life and pensions, weighted sales increased by 3 per cent to GBP305.0 million whilst unit trust sales decreased by 31 per cent to GBP49.6 million. In the second quarter of 2004, however, the Group has delivered a significant increase of 24 per cent in weighted sales to GBP196.2 million compared to GBP158.4 million in the first quarter of 2004. This reflected growth of 29 per cent via Independent Financial Advisors, an increase of 55 per cent through direct channels, and 9 per cent growth in sales through the branch network.

Insurance and Investments (continued)

The Group's estimated share of the life and pensions market in the first quarter of 2004 increased to 6.7 per cent, from 6.4 per cent in the first quarter of 2003. However, as a result of lower sales of unit trusts and equity-based ISAs, the Group's estimated share of the life, pensions and unit trusts market in the first quarter of 2004 fell to 4.9 per cent, from 5.4 per cent in the first quarter of 2003. Scottish Widows remains, however, one of the leading unit trust and equity-based ISA providers in the UK.

In the branch network, weighted sales were 12 per cent lower as a result of a significant reduction in the sales of single premium unit trusts. However, our market share of life and pensions in the branch network and direct distribution channels grew to 8.7 per cent in the first quarter of 2004, compared to 7.1 per cent in the first quarter of 2003.

Profit before tax from general insurance, excluding investment variance, increased by GBP2 million, or 3 per cent, to GBP82 million as continued revenue growth from home insurance more than offset lower levels of creditor insurance. Sales from direct channels continued to grow, increasing by 9 per cent, compared to the first half of 2003.

Pre-tax profit from Scottish Widows Investment Partnership (SWIP) increased to GBP2 million, reflecting more buoyant market conditions and increased revenues from new mandates. SWIP achieved a significant increase in gross new external mandates which totalled GBP1.5 billion during the first half of 2004, largely reflecting an increase in the number of institutional client mandates. SWIP is the tenth largest fund manager in the United Kingdom with GBP77 billion under management. Fixed income and property investment performance continues to be strong, and over the three year period to 30 June 2004, 68 per cent of retail assets under management achieved above median performance. SWIP is currently in the process of introducing a new fund range as a key component of Lloyds TSB's bancassurance strategy.

Insurance and Investments (continued)

	Half-year to 30 June 2004 GBPm	2 G
Total new business premium income		
Regular premiums:		
Life - mortgage related	20.7	2
- non-mortgage related	19.0	2
Pensions	125.0	11
Health	2.3	
Total regular premiums	167.0	16
Single premiums:		
Life	574.3	43
Annuities	234.5	27
Pensions	571.0	59
Total single premiums	1,379.8	1,30
External unit trust sales:		
Regular payments	18.1	2
Single amounts	315.6	49
Total external unit trust sales	333.7	52
Weighted sales (regular + 1/10 single)		
Life and pensions	305.0	29
Unit trusts	49.6	7
Life, pensions and unit trusts	354.6	36
Weighted sales by distribution channel		
Branch network	122.1	13
Independent financial advisors	198.3	19

Direct	33.9	2
Other, including International	0.3	
Life, pensions and unit trusts	354.6	36
Group funds under management	GBPbn	GB
Scottish Widows Investment Partnership	77	
UK Wealth Management	11	
International	14	
	102	

LLOYDS TSB GROUP

Insurance and Investments (continued)

Life, pensions and unit trusts

	Half-year to 30 June 2004 GBPm	2003+ GBPm
New business income	195	173
Life and pensions distribution costs	(121)	(104)
New business contribution	74	69
Existing business		
- expected return	132	133
- experience variances	(13)	-
- assumption changes and other items	6	(21)
- provisions for customer redress	-	(100)
	125	12
Development costs	(4)	(3)
Investment earnings	80	77
	275	155
Unit trusts	32	32
Unit trust distribution costs	(13)	(20)
	19	12
Profit before tax*	294	167
Profit before tax, excluding provisions for customer redress*	294	267
New business margin (life and pensions)	24.3%	23.4%

*excluding changes in economic assumptions and investment variance
+restated (page 38, note 1)

New business income increased by 13 per cent as a result of a 3 per cent increase in weighted sales from life and pensions products and an increase in the life and pensions new business margin, as a result of an improved performance in the more profitable life products. The new business contribution increased by 7 per cent to GBP74 million. The life and pensions new business margin, defined as new business contribution divided by weighted sales, increased to 24.3 per cent, from 23.4 per cent in the first half of 2003. The improvement reflects our strategy to focus on more profitable and capital efficient business, improving the Group's product mix, particularly in moving to higher margin protection and specialist pension products.

Profit before tax from existing business, excluding provisions for customer redress, increased by GBP13 million, or 12 per cent, to GBP125 million. The expected return from existing business, which largely reflects the unwinding of the long-term discount rate applied to the expected cash flows from the Group's portfolio of in-force business, was broadly unchanged at GBP132 million. During the first half of 2004, there was a reduction of GBP7 million from changes in actuarial assumptions and experience variances, compared to a reduction of GBP21 million in the first half of 2003.

LLOYDS TSB GROUP

Insurance and Investments (continued)

General insurance

	Half-year to 30 June 2004 GBPm	20 G
Premium income from underwriting		
Creditor	55	
Home	218	
Health	16	
Reinsurance premiums	(13)	
	276	
Commissions from insurance broking		
Creditor	166	

Home	12
Health	9
Other	57
	244
Distribution commissions to UK Retail Banking	272
Profit before tax*	82

*excluding investment variance
+restated (page 38, note 1)

Profit before tax, excluding investment variance, from our general insurance operations increased by GBP2 million, or 3 per cent, to GBP82 million.

Premium income from underwriting increased by GBP15 million, or 6 per cent, largely as a result of higher home insurance income which increased by 10 per cent, largely as a result of an improvement in product margins and levels of business retention. Insurance broking commission income decreased by GBP45 million, as a result of a GBP24 million fall in income from creditor insurance and a GBP20 million reduction in other commissions, largely reflecting lower retrospective commissions. Telephone and internet sales continue to grow with a 9 per cent increase in gross written premiums from new policies sold through direct channels in the first half of 2004. Gross written premiums for new policies sold via the internet increased by 44 per cent.

As a result of a lower level of branch network sales, distribution commissions to UK Retail Banking reduced by GBP26 million to GBP272 million. Claims were GBP13 million higher at GBP121 million, compared to the first half of 2003, reflecting higher values of underwritten business and higher weather related claims. The overall claims ratio remained low at 42 per cent but was slightly higher than in the first half of last year (40 per cent).

Wholesale and International Banking

(banking, treasury, structured finance, venture capital, acquisition finance, large value lease finance, share registration and stockbroking, long-term agricultural finance and other related services for major UK and multinational companies, financial institutions, and small and medium-sized UK businesses; Lloyds TSB Asset Finance; and banking and financial services overseas in The Americas and Europe and Offshore Banking worldwide).

	Half-year to 30 June 2004 GBPm	2
Net interest income	967	
Other income	785	
Total income	1,752	1,
Operating expenses	1,015	
Trading surplus	737	
Provisions for bad and doubtful debts	98	
Amounts written off fixed asset investments	23	
Profit before tax* - continuing operations	616	
(Loss) profit on sale of businesses	(16)	
Trading results of discontinued operations	-	
Profit before tax	600	
Cost:income ratio*	57.9%	60
Total assets (period-end) - continuing operations	GBP109.4bn	GBP105.
Total risk-weighted assets (period-end) - continuing operations	GBP64.5bn	GBP63.

*excluding (loss) profit on sale of businesses and trading results of discontinued operations
+restated (page 38, note 1)

Wholesale and International Banking pre-tax profit, excluding loss on sale of businesses and trading results of discontinued operations, increased by GBP128 million, or 26 per cent, to GBP616 million, from GBP488 million in the first half of 2003. This resulted from a strong performance from most major businesses, and a significantly enhanced focus on leveraging underexploited opportunities in our corporate franchises. Income growth of 6 per cent exceeded cost growth of 2 per cent, leading to an improvement in the cost:income ratio to 57.9 per cent. Our focus on capital efficiency has led to an increase in the post-tax return on average risk-weighted assets to 1.44 per cent compared with 1.11 per cent in the first half of 2003. In Wholesale, there was strong profit growth particularly in corporate banking, business banking and asset finance, and a reduction in provisions for bad and doubtful debts.

Wholesale and International Banking (continued)

Excluding the trading results of discontinued operations net interest income increased by GBP69 million, or 8 per cent, reflecting higher income from improved margins in corporate banking, business banking and the asset finance businesses, and strong growth in customer lending in asset finance. Other income increased by GBP35 million, largely as a result of a GBP27 million increase in the gains on realisation of venture capital investments by Lloyds TSB Development Capital.

The charge for provisions for bad and doubtful debts decreased by GBP47 million to GBP98 million. The charge in Wholesale fell by GBP11 million to GBP134 million, as a result of a decrease in provisions from the corporate lending portfolio. In International Banking there was a credit of GBP36 million mainly reflecting a GBP30 million release from the general provision against the Group's exposures in Argentina.

In Corporate Banking, profit before tax grew by 30 per cent from GBP164 million in the first half of 2003 to GBP214 million, reflecting an increase in the contribution from both relationship and transactional business driven by a combination of higher income, controlled costs, and a GBP20 million reduction in provisions.

We continue to deepen existing customer relationships, with increased cross-selling income and referral activity, supported by the co-location of corporate relationship managers and Financial Markets sales teams in regional centres. During the first half of 2004, Lloyds TSB was the number one lead arranger of syndicated loans for investment-grade companies in the UK by number of deals, we have grown market share in acquisition finance, and we are seeing a strong pipeline of business across the structured finance product areas.

In Financial Markets pre-tax profits were flat at GBP68 million, as income growth was offset by higher levels of investment spend, including a significant expansion of the regional salesforce, to support the delivery of our strategy to increase sales to corporate customers.

Profit before tax in Business Banking grew by GBP10 million, or 19 per cent to GBP62 million, reflecting good income growth and tight control of costs. Customer deposits rose by 7 per cent to GBP10.8 billion and customer lending increased by 2 per cent to GBP5.7 billion. Business Banking continued to grow its customer franchise and the Group's share of the start-up market was 20 per cent in the first half of 2004.

Pre-tax profit in Lloyds TSB Asset Finance increased by 46 per cent to GBP99 million, compared with GBP68 million in 2003, reflecting the continued profitable development of the motor and leisure, and personal and retail finance businesses. The motor and leisure business continues to be the largest independent lender in the UK motor and leisure point of sale market, and has performed strongly in a growing market, increasing market share to 20 per cent of the Finance & Leasing Association total car market. Personal and Retail Finance has also achieved increased market share. New business levels in these two divisions grew by 12 per cent and 21 per cent respectively in the first half of 2004.

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Wholesale and International Banking (continued)

The new business environment for asset based lending provided by Lloyds TSB Commercial Finance remains more challenging, though good progress has been made in growing our existing business and corporate customer franchises, with an increased level of new business introductions.

In International Banking, profit before tax, excluding the loss on sale of businesses and trading results of discontinued operations, increased by GBP46 million, or 77 per cent, to GBP106 million, partly as a result of a GBP30 million general provision release in Argentina, but also reflecting lower costs in Argentina and Paraguay and higher income in international private banking. Pre-tax profits in Offshore Banking increased by GBP3 million to GBP59 million, compared with GBP56 million in the first half of 2003.

The Group completed the disposal of its businesses in Panama and Guatemala on 30 April 2004 and 4 June 2004 respectively resulting in a net loss on disposal of GBP3 million. The sale of the Group's business in Honduras, which remains subject to approval by the relevant regulatory authorities, is expected to be completed during the second half of 2004. In July 2004, the Group announced the sale of its businesses in Argentina and Colombia, subject to approval by the relevant regulatory authorities. As a result, a GBP13 million goodwill write-off has been recognised in the profit and loss account for the first half of 2004.

LLOYDS TSB GROUP

Central group items

(earnings on capital and the emerging markets debt investment portfolio, central costs and other unallocated items)

Half-year to
30 June
2004 2

	GBPm
Accrual for payment to Lloyds TSB Foundations	(16)
Other finance income	19
Earnings on capital and the emerging markets debt investment portfolio	(165)
Central costs and other unallocated items	(5)
	(167)

+restated (page 38, note 1)

The four independent Lloyds TSB Foundations support registered charities throughout the UK that enable people, particularly disabled and disadvantaged, to play a fuller role in society. The Foundations receive 1 per cent of the Group's pre-tax profit, averaged over three years, instead of the dividend on their shareholdings, making them in aggregate one of the largest independent grant giving bodies in the UK. In the first half of 2004, the Group accrued GBP16 million for payment to the Lloyds TSB Foundations.

Other finance income represents income from the expected return on the Group's pension fund assets less the charge for unwinding the discount on the pension fund liabilities.

Earnings on capital and the emerging markets debt investment portfolio reflect earnings on capital held at the Group centre, less the funding cost of recent acquisitions, and profits from the Group's investment portfolio of emerging markets debt securities. During the first half of 2003 improved secondary bond market conditions allowed the Group to sell its remaining portfolio of emerging markets debt securities. Profits on bond sales, and certain closed foreign exchange positions, in the first half of 2003 totalled GBP295 million.

LLOYDS TSB GROUP

INCOME

Group net interest income

Half-year to
30 June

	2004 GBPm	20 GB
Continuing operations		
Net interest income	2,438	2,
Average balances		
Short-term liquid assets	254	2,
Loans and advances	155,224	140,
Debt securities	14,360	14,
Total interest-earning assets	169,838	157,
Net interest margin (%)	2.89	2
Statutory		
Net interest income	2,438	2,
Total interest-earning assets	169,838	172,
Financed by:		
Interest-bearing liabilities	162,559	164,
Interest-free liabilities	7,279	7,
Average rates	%	
Gross yield on interest-earning assets	5.66	5
Cost of interest-bearing liabilities	2.90	2
Interest spread	2.76	2
Contribution of interest-free liabilities	0.13	0
Net interest margin	2.89	3

Group net interest income decreased by GBP133 million, or 5 per cent, to GBP2,438 million, largely as a result of the sale of a number of overseas businesses in the second half of 2003.

On a continuing operations basis, net interest income increased by GBP153 million, or 7 per cent, and average interest-earning assets increased by 8 per cent to GBP170 billion. Within UK Retail Banking, continued strong growth led to increases of GBP2.8 billion in average personal lending and credit card balances and GBP8.0 billion in average mortgage balances. Within Wholesale and International Banking, average interest-earning assets increased by GBP763 million, largely reflecting growth in asset finance balances.

The Group net interest margin from continuing operations decreased by 3 basis points, in part caused by lower margins earned in the Group's credit card, personal lending and mortgages portfolios as a result of competitive pressures, as well as mix and funding effects. This was partly offset however by higher corporate banking margins and a positive mix effect from strong growth in the asset finance businesses.

LLOYDS TSB GROUP

Other income

	Half-year to 30 June 2004 GBPm	2 G
Fees and commissions receivable:		
UK current account fees	312	
Other UK fees and commissions	620	
Insurance broking	244	
Card services	237	
International fees and commissions	71	
	1,484	1,
Fees and commissions payable	(372)	(
Dealing profits (before expenses):		
Foreign exchange income	85	
Securities and other gains	43	
	128	
Income from long-term assurance business	296	
General insurance premium income	276	
Other operating income	326	
Total other income - continuing operations*	2,138	2,
Investment variance	(72)	
Changes in economic assumptions	7	
Discontinued operations	-	
Total other income	2,073	2,

*excluding investment variance and changes in economic assumptions

Other income from continuing operations, excluding investment variance and changes in economic assumptions, decreased by GBP88 million, or 4 per cent, to GBP2,138 million as a result of the absence of income totalling GBP301 million from the sale, in the first half of 2003, of the Group's portfolio of emerging markets debt bonds, and certain closed foreign exchange positions partly offset by the absence of a GBP100 million customer redress provision charged against income from long-term assurance business. Excluding these items other income increased by 6 per cent.

From the Group's continuing operations, fees and commissions receivable increased by GBP34 million, or 2 per cent, to GBP1,484 million, largely reflecting good growth in other UK fees and commissions and higher income from credit and debit card services, which more than offset a reduction in insurance broking commissions. Other UK fees and commissions increased by GBP51 million, or 9 per cent, to GBP620 million. There was an increase of GBP9 million in mortgage related fees, reflecting the growth in new mortgage lending during the first half of the year, and an increase in fees from large corporate and factoring activity, reflecting increased transaction volumes.

LLOYDS TSB GROUP

Other income (continued)

Insurance broking commission income decreased by GBP45 million, partly as a result of a GBP24 million fall in income from creditor insurance, reflecting a reduction in sales through the branch network. Income from credit and debit card services increased by GBP35 million mainly as a result of a growth in interchange income, partly reflecting the acquisition of the Goldfish credit card portfolio in September 2003.

Fees and commissions payable increased by GBP46 million as a result of a GBP27 million increase in commissions paid to motor dealers by the asset finance operation, reflecting the growth in the levels of new business, and higher costs relating to legal expenses and valuation fee incentives supporting the strong mortgage growth. Fees payable in respect of the credit and debit card business also increased, mainly reflecting volume growth and the acquisition of Goldfish.

Dealing profits decreased by GBP267 million compared with the first half of 2003 as a result of the absence of gains on the sale of the emerging markets debt portfolio and certain closed foreign exchange positions. Income from long-term assurance business increased by GBP161 million, largely as a result of the absence of a customer redress provision which reduced income from long-term assurance business by GBP100 million in the first half of 2003.

Premium income from general insurance underwriting increased by GBP15 million, or 6 per cent, to GBP276 million, compared to GBP261 million in the first half of 2003. This was largely as a result of growth in premiums from home insurance products, reflecting successful cross-selling to the Group's mortgage customers and the continued strength of the UK housing market, as well as an improvement in product margins and levels of business retention.

LLOYDS TSB GROUP

OPERATING EXPENSES

Operating expenses

	Half-year to 30 June	
	2004	2
	GBPm	G
Administrative expenses:		
Staff:		
Salaries	877	
National insurance	67	
Pensions	165	
Restructuring	5	
Other staff costs	118	
	1,232	1,
Premises and equipment:		
Rent and rates	138	
Hire of equipment	9	
Repairs and maintenance	64	
Other	58	
	269	
Other expenses:		
Communications and external data processing	207	
Advertising and promotion	87	
Professional fees	61	
Provisions for customer redress	-	
Other	196	
	551	
Administrative expenses	2,052	2,
Depreciation	289	
Amortisation of goodwill	22	
Total operating expenses - continuing operations	2,363	2,
Discontinued operations	-	
Total operating expenses	2,363	2,
Cost:income ratio	52.2%	53
Cost:income ratio*	51.4%	52

*continuing operations, excluding investment variance, changes in economic assumptions, customer redress provisions and sale of EMD bonds/certain closed foreign exchange positions in 2003

Operating expenses (continued)

Total operating expenses decreased by GBP264 million, or 10 per cent, to GBP2,363 million compared to GBP2,627 million in the first half of 2003, reflecting a reduction of GBP143 million as a result of the disposal of a number of overseas businesses during 2003, and the absence of provisions for customer redress which in the first half of 2003 totalled GBP200 million. On a continuing operations basis, and excluding the customer redress provisions, operating expenses increased by GBP79 million, or 3 per cent, to GBP2,363 million. Staff costs were GBP58 million higher at GBP1,232 million largely reflecting higher salary costs. Professional fees increased by GBP12 million, to GBP61 million, due to greater use of external consultants on a number of major projects. Depreciation decreased by GBP22 million, largely as a result of a decrease of GBP26 million in operating lease depreciation. Goodwill amortisation was GBP4 million higher.

The cost:income ratio was 52.2 per cent, compared to 53.2 per cent in the first half of 2003. On a continuing operations basis, excluding investment variance, changes in economic assumptions, customer redress provisions and the sale of emerging markets debt bonds and certain closed foreign exchange positions, the cost:income ratio improved to 51.4 per cent, compared to 52.7 per cent in the first half of last year.

The Group has embarked on a programme of offshoring a number of its processing and back office operations. Our pilot operation in Bangalore has been running for over a year and has demonstrated that it is possible to provide customer service levels comparable to the UK. As a result, we have expanded the work we carry out in India and in May 2004 our telephony operations went live in Mumbai.

Number of employees (full-time equivalent)

Staff numbers increased by 212 to 71,821 during the first half of the year.

Within UK Retail Banking staff numbers increased by 269, reflecting an increase in customer facing staff partly offset by a reduction in regional and head office staff. In Insurance and Investments there was a decrease of 184 staff, reflecting operational efficiencies within Scottish Widows and the general insurance business. In Wholesale and International Banking staff numbers increased by 55, largely to support the growth in new business volumes.

	30 June 2004
UK Retail Banking	44,576
Insurance and Investments	5,610
Wholesale and International Banking	19,809

Other	1,826
Total number of employees (full-time equivalent)	71,821

LLOYDS TSB GROUP

CREDIT QUALITY

Charge for bad and doubtful debts

	Half-year to 30 June	
	2004	2
	GBPm	G
UK Retail Banking	344	
Wholesale and International Banking - continuing operations	98	
Central group items	-	
Total charge - continuing operations	442	
Discontinued operations	-	
Total charge	442	
Specific provisions	477	
General provisions	(35)	
Total charge	442	
Charge as % of average lending*:	%	
UK Retail Banking	0.76	0
Wholesale and International Banking - continuing operations	0.39	0
Total charge - continuing operations	0.63	0

*annualised

The total charge for bad and doubtful debts decreased by GBP28 million, or 6 per cent, to GBP442 million. From continuing operations, the provisions charge increased by GBP12 million, or 3 per cent, to GBP442 million. The charge within UK Retail Banking increased by GBP46 million largely as a result of the Goldfish acquisition and volume related growth in the personal loan and credit card portfolios. There was a net release of GBP12 million from the provisions held against the mortgages portfolio, compared to a net release of GBP5 million in the first half of 2003, mainly reflecting an increase in the value of the property held as security.

In Wholesale and International Banking the provisions charge fell by GBP47 million to GBP98 million. The charge within Wholesale fell by GBP11 million as the level of new provisions required against corporate customers reduced. Within International Banking there was a credit of GBP36 million largely as a result of a release of GBP30 million from the general provision required against the Group's exposures in Argentina.

The Group's charge for bad and doubtful debts, on a continuing operations basis, as a percentage of average lending decreased to 0.63 per cent, compared to 0.66 per cent in the first half of 2003.

Movements in provisions for bad and doubtful debts

	Half-year to 30 June 2004		Half-year to 30 June 2003	
	Specific GBPm	General GBPm	Specific GBPm	General GBPm
At beginning of period	1,313	382	1,334	433
Exchange and other adjustments	(4)	-	13	-
Transfer from general to specific provisions	3	(3)	-	-
Adjustments on acquisitions and disposals	(2)	-	(1)	-
Advances written off	(486)	-	(514)	-
Recoveries of advances written off in previous years	77	-	87	-
Charge to profit and loss account:				
New and additional provisions	745	5	769	4
Releases and recoveries	(268)	(40)	(303)	-
	477	(35)	466	4

At end of period	1,378	344	1,385	437
	1,722		1,822	
Closing provisions as % of lending (excluding unapplied interest)				
Specific:				
Domestic	1,238	(0.9%)	1,081	(0.9%)
International	140	(2.3%)	304	(1.6%)
	1,378	(1.0%)	1,385	(0.9%)
General	344	(0.2%)	437	(0.3%)
Total	1,722	(1.2%)	1,822	(1.2%)

At the end of June 2004 provisions for bad and doubtful debts totalled GBP1,722 million. This represented 1.2 per cent of total lending (31 December 2003: 1.2 per cent). Non-performing lending increased to GBP1,225 million from GBP1,218 million in December 2003, largely reflecting general portfolio growth in the consumer lending portfolios. Non-performing lending represented 0.8 per cent of total lending, down from 0.9 per cent at 31 December 2003. At the end of the half-year, specific provisions represented over 100 per cent of non-performing loans (31 December 2003: over 100 per cent).

LLOYDS TSB GROUP

CAPITAL RATIOS

Risk asset ratios

	30 June 2004 GBPm
Capital	
Tier 1	11,645
Tier 2	8,481
	20,126
Supervisory deductions	(7,115)
Total capital	13,011

Risk-weighted assets	GBPbn
UK Retail Banking	57.6
Insurance and Investments	0.2
Wholesale and International Banking	64.5
Central group items	0.5
Total risk-weighted assets	122.8

Risk asset ratios

Total capital	10.6%
Tier 1	9.5%

	Half-year 30 June 2004
Post-tax return on average risk-weighted assets	1.84%
Post-tax return on average risk-weighted assets - continuing operations*	1.95%

*excluding investment variance, changes in economic assumptions and profit (loss) on sale of businesses

At the end of June 2004 the risk asset ratios were 10.6 per cent for total capital and 9.5 per cent for Tier 1 capital. During the first half of 2004, total capital for regulatory purposes decreased by GBP249 million to GBP13,011 million. Tier 1 capital increased by GBP422 million, mainly from retained profits, whilst Tier 2 capital reduced by GBP454 million, as a result of the repayment of Tier 2 capital instruments upon maturity. Supervisory deductions increased by GBP217 million, largely as a result of an increase in the Group's embedded value to GBP6,641 million, from GBP6,481 million in December 2003.

Risk-weighted assets increased by 4 per cent to GBP122.8 billion, reflecting strong growth in consumer lending and mortgages in the UK and growth in lending within the asset finance businesses. The post-tax return on average risk-weighted assets, on a continuing operations basis, excluding investment variance, changes in economic assumptions and profit (loss) on sale of businesses, increased to 1.95 per cent, from 1.86 per cent the first half of 2003.

LLOYDS TSB GROUP

CONSOLIDATED PROFIT AND LOSS ACCOUNT (unaudited)

	Half-year to	Half-year to

	30 June 2004 GBPm	Continuing operations 2003 GBPm	Discontin operatio 200 GBP
Interest receivable:			
Interest receivable and similar income arising from debt securities	189	208	3
Other interest receivable and similar income	4,595	4,112	65
Interest payable	2,346	2,035	40
Net interest income	2,438	2,285	28
Other finance income	19	17	
Other income			
Fees and commissions receivable	1,484	1,450	5
Fees and commissions payable	(372)	(326)	(1
Dealing profits (before expenses)	123	397	3
Income from long-term assurance business	236	167	
General insurance premium income	276	261	
Other operating income	326	311	
	2,073	2,260	8
Total income	4,530	4,562	37
Operating expenses			
Administrative expenses	2,052	2,155	13
Depreciation	289	311	
Amortisation of goodwill	22	18	
Depreciation and amortisation	311	329	1
Total operating expenses	2,363	2,484	14
Trading surplus	2,167	2,078	23
General insurance claims	121	108	
Provisions for bad and doubtful debts			
Specific	477	426	4
General	(35)	4	
	442	430	4
Amounts written off fixed asset investments	23	24	
Operating profit	1,581	1,516	19
Share of results of joint ventures	(1)	(11)	
Loss on sale of businesses	(16)	-	(1
Profit on ordinary activities before tax	1,564	1,505	17
Tax on profit on ordinary activities	449	428	6
Profit on ordinary activities after tax	1,115	1,077	11
Minority interests - equity	10	10	
- non-equity	22	23	
Profit for the period attributable to shareholders	1,083	1,044	11
Dividends	599		
Profit for the period	484		
Earnings per share	19.4p		
Diluted earnings per share	19.3p		

LLOYDS TSB GROUP

CONSOLIDATED BALANCE SHEET

	30 June 2004 (unaudited) GBPm	30 Jun 2003 (unaudit GBP
Assets		
Cash and balances at central banks	892	85
Items in course of collection from banks	1,879	2,43
Treasury bills and other eligible bills	142	3,57
Loans and advances to banks	26,891	18,30
Loans and advances to customers	141,508	141,99
Debt securities	26,421	28,68
Equity shares	351	23
Interests in joint ventures	53	3
Intangible assets	2,485	2,61
Tangible fixed assets	4,063	3,97
Other assets	2,983	5,60
Prepayments and accrued income	1,929	2,12
Long-term assurance business attributable to the shareholder	6,641	6,34
	216,238	216,78
Long-term assurance assets attributable to policyholders	50,623	47,69
Total assets	266,861	264,47
Liabilities		
Deposits by banks	37,575	23,88
Customer accounts	118,300	121,43
Items in course of transmission to banks	765	98
Debt securities in issue	27,355	34,49
Other liabilities	4,889	8,42
Accruals and deferred income	3,074	3,45
Post-retirement benefit liability	2,097	2,16
Provisions for liabilities and charges:		
Deferred tax	1,361	1,26
Other provisions for liabilities and charges	358	53
Subordinated liabilities:		
Undated loan capital	5,850	6,06
Dated loan capital	3,933	4,73
Minority interests:		
Equity	47	4
Non-equity	536	69
	583	74
Called-up share capital	1,419	1,41
Share premium account	1,144	1,12
Merger reserve	343	34
Profit and loss account	7,192	5,72
Shareholders' funds (equity)	10,098	8,60
	216,238	216,78
Long-term assurance liabilities to policyholders	50,623	47,69
Total liabilities	266,861	264,47

LLOYDS TSB GROUP

OVERVIEW OF CONSOLIDATED BALANCE SHEET

Review of balance sheet at 30 June 2004, compared to 31 December 2003

Assets

Total assets increased by GBP14,849 million to GBP266,861 million, reflecting strong growth in loans and advances to banks and customers, partly offset by a reduction in debt securities.

Cash and balances at central banks reduced by GBP303 million, or 25 per cent, to GBP892 million as cash balances held at the year-end are usually higher, to cater for anticipated demand over the year-end holiday period. Loans and advances to banks increased by GBP11,344 million to GBP26,891 million, largely reflecting an increase in reverse repos, partly replacing treasury bills and debt securities held for liquidity purposes, but also in relation to the Group's increased funding requirements.

Loans and advances to customers increased by GBP6,257 million, or 5 per cent, to GBP141,508 million. This growth largely reflects strong growth in UK retail lending, particularly mortgages, credit cards and personal loans.

Debt securities decreased by GBP2,248 million, or 8 per cent, to GBP26,421 million, largely reflecting the increased use of reverse repos for liquidity purposes.

Intangible assets declined by GBP28 million to GBP2,485 million reflecting amortisation of GBP22 million and a charge of GBP10 million relating to the impairment of goodwill in Colombia. Tangible fixed assets increased by GBP145 million to GBP4,063 million reflecting net additions of GBP441 million, largely in relation to operating leases, offset by depreciation of GBP289 million.

Other assets decreased by GBP961 million to GBP2,983 million, largely as a result of a decrease of GBP917 million in mark-to-market balances in respect of external derivatives.

Long-term assurance business attributable to the shareholder increased by GBP160 million to GBP6,641 million reflecting the after tax profit in the Group's life assurance businesses.

LLOYDS TSB GROUP

Assets (continued)

	30 June 2004 GBPm	20 GB
Loans and advances to customers		
Domestic:		
Agriculture, forestry and fishing	2,075	2,
Manufacturing	3,090	3,
Construction	1,647	1,
Transport, distribution and hotels	5,010	4,
Property companies	4,808	4,
Financial, business and other services	8,011	8,
Personal : mortgages	76,316	67,
: other	21,535	17,
Lease financing	6,378	6,
Hire purchase	4,829	4,
Other	4,043	3,
Total domestic	137,742	124,
International:		
Latin America	425	1,
New Zealand	-	11,
United States of America	2,576	3,
Europe	1,883	2,
Rest of the world	611	
Total international	5,495	19,
	143,237	143,
Provisions for bad and doubtful debts*	(1,707)	(1,
Interest held in suspense*	(22)	
Total loans and advances to customers	141,508	141,

*figures exclude provisions and interest held in suspense relating to loans and advances to banks

Liabilities

Deposits by banks increased by GBP13,620 million to GBP37,575 million, largely reflecting increased repo funding to finance asset growth.

Customer deposits increased by GBP1,804 million to GBP118,300 million, as growth of GBP2,331 million in current account credit balances was partly offset by reductions in some offshore deposits, and following completion of the sale of the Group's businesses in Panama and Guatemala.

Liabilities (continued)

	Half-year to 30 June 2004 GBPm	200 GBP
Deposits - customer accounts		
Sterling:		
Non-interest bearing current accounts	3,173	2,
Interest bearing current accounts	29,539	26,
Savings and investment accounts	56,106	56,
Other customer deposits	17,133	16,
Total sterling	105,951	101,
Currency	12,349	19,
Total deposits - customer accounts	118,300	121,

Debt securities in issue increased by GBP1,433 million to GBP27,355 million. Other liabilities decreased by GBP2,118 million to GBP4,889 million, as a result of a reduction of GBP1,510 million in mark-to-market balances in respect of external derivatives and a lower interim dividend accrual than that for the final dividend. Accruals and deferred income reduced by GBP132 million to GBP3,074 million as a result of lower interest payable.

The post-retirement benefit liability decreased by GBP42 million to GBP2,097 million. The after-tax impact of cash contributions and other finance income more than offset the regular pensions cost. Provisions for liabilities and charges fell by GBP59 million to GBP1,719 million, largely reflecting cash payments against the customer remediation provision.

Subordinated liabilities fell by GBP671 million to GBP9,783 million due to repayments of GBP500 million and exchange rate movements. Minority interests decreased by GBP144 million to GBP583 million, largely reflecting the termination of certain structured finance transactions.

Shareholders' funds were up GBP474 million to GBP10,098 million, principally due to retentions.

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CONSOLIDATED CASH FLOW STATEMENT (unaudited)

	Half-year to 30 June 2004 GBPm	2 G
Net cash inflow (outflow) from operating activities	696	4,
Dividends received from associated undertakings	-	
Returns on investments and servicing of finance:		
Dividends paid to equity minority interests	(8)	
Payments made to non-equity minority interests	(23)	
Interest paid on subordinated liabilities (loan capital)	(298)	(
Net cash outflow from returns on investments and servicing of finance	(329)	(
Taxation:		
UK corporation tax	(344)	(
Overseas tax	(62)	(
Total taxation	(406)	(
Capital expenditure and financial investment:		
Additions to fixed asset investments	(6,113)	(19,
Disposals of fixed asset investments	6,161	18,
Additions to tangible fixed assets	(637)	(
Disposals of tangible fixed assets	115	
Net cash (outflow) inflow from capital expenditure and financial investment	(474)	(1,
Acquisitions and disposals:		
Additions to interests in joint ventures	-	
Acquisition of group undertakings and businesses	(9)	
Disposal of group undertakings and businesses	17	

Net cash inflow (outflow) from acquisitions and disposals	8	
Equity dividends paid	(1,314)	(1,
Net cash (outflow) inflow before financing	(1,819)	1,
Financing:		
Issue of subordinated liabilities (loan capital)	-	
Cash proceeds from issue of ordinary share capital and sale of own shares held in respect of employee share schemes	10	
Repayment of subordinated liabilities (loan capital)	(500)	
Repayment of minority investment in subsidiaries	(132)	
Capital element of finance lease rental payments	-	
Net cash (outflow) inflow from financing	(622)	
(Decrease) increase in cash	(2,441)	2,

LLOYDS TSB GROUP

NOTES

1. Accounting policies and presentation

Accounting policies are unchanged from 2003.

The Group has not revised the valuation of its pension schemes to reflect the circumstances prevailing at 30 June 2004. In accordance with FRS 17 the valuations will be formally updated at the year-end.

2003 figures have been restated to reflect changes in the Group's segmental analysis following the introduction, in 2004, of the management of the Group's distribution channels as profit centres, and other changes in internal pricing arrangements. These changes have not resulted in any change to Group profit before tax.

2. Future accounting developments

FRED 34 'Life Assurance'

On 21 July 2004, the UK Accounting Standards Board ('ASB') issued an exposure draft of an accounting standard which will amend the basis of accounting for entities with a life assurance business. The exposure draft, which is in part a response to the concerns raised by the Penrose report into Equitable Life, proposes to change the way in which embedded value is calculated to exclude the effect of future investment margins and limit the value attributed to the contractual rights to future investment management fees to their fair value, as implied by a comparison with current fees charged by other market participants for similar services. It is also proposed that the liabilities of with-profits funds falling within the scope of the FSA's realistic capital regime should be incorporated into the balance sheet on this basis, including options and guarantees at their fair value, and a capital position statement provided setting out total available capital compared to regulatory requirements with a sensitivity analysis to changes in key variables.

The ASB has requested comments on the exposure draft by early October and changes may be made to the proposals once these have been considered; it is expected that the resulting accounting standard will be effective for the 2004 full year results and is likely to require the figures for the first half of the year and prior periods to be restated. The ASB's proposals are currently being reviewed to assess the potential implications for the Group's accounts, although this exercise is not yet complete.

2. Future accounting developments (continued)

International Accounting Standards ('IAS')

Work continues throughout the Group in preparation for the adoption of IAS with effect from 1 January 2005 and good progress is being made.

There remains some uncertainty since the European Commission has still not endorsed IAS 39, the Standard dealing with the recognition and measurement of financial instruments, following objections raised by a minority of member states. In the limited time remaining before implementation is due, it is not clear whether it will be possible to address all of these concerns leaving open the possibility of partial or non-endorsement.

In overall terms, we expect that the introduction of IAS will lead to increased volatility in the Group's profit and loss account, although this will be mitigated by changes being considered to our hedging processes. The appearance of our accounts will also change as we will be required to consolidate our life assurance businesses on a line-by-line basis instead of the one-line basis of consolidation currently adopted.

Discussions have been held with the FSA to obtain their initial views on the effects of IAS upon prudential regulation, and we believe that our capital position will remain satisfactory under the new regime.

3. Profit and loss account for the six months ended 31 December 2003

An analysis of the Group's consolidated profit and loss account by continuing operations and discontinued operations for the second half of 2003 is given below.

CONSOLIDATED PROFIT AND LOSS ACCOUNT (unaudited)

	Half-year to 31 Dece	
	Continuing operations 2003 GBPm	Discontinu operation 2003 GBPm
Interest receivable:		
Interest receivable and similar income arising from debt securities	181	26
Other interest receivable and similar income	4,372	561
Interest payable	2,094	362
Net interest income	2,459	225
Other finance income	17	-
Other income		
Fees and commissions receivable	1,537	53
Fees and commissions payable	(362)	(17)
Dealing profits (before expenses)	128	5
Income from long-term assurance business	269	9
General insurance premium income	274	-
Other operating income	371	3
	2,217	53
Total income	4,693	278
Operating expenses		
Administrative expenses	2,074	117

Depreciation	322	6
Amortisation of goodwill	21	6
Depreciation and amortisation	343	12
Total operating expenses	2,417	129
Trading surplus	2,276	149
General insurance claims	128	-
Provisions for bad and doubtful debts		
Specific	457	23
General	-	-
	457	23
Amounts written off fixed asset investments	20	-
Operating profit	1,671	126
Share of results of joint ventures	(11)	-
Profit on sale of businesses	-	880
Profit on ordinary activities before tax	1,660	1,006
Tax on profit on ordinary activities	503	31
Profit on ordinary activities after tax	1,157	975
Minority interests - equity	12	-
- non-equity	24	-
Profit for the period attributable to shareholders	1,121	975
Dividends		
Profit for the period		
Earnings per share		
Diluted earnings per share		

LLOYDS TSB GROUP

4. Economic profit

In pursuit of our aim to maximise shareholder value, we use a system of value based management as a framework to identify and measure value in order to help us make better business decisions. Accounting profit is of limited use as a measure of value creation and performance as it ignores the cost of the equity capital that has to be invested to generate the profit. We choose economic profit as a measure of performance because it captures both growth in investment and return. Economic profit represents the difference between the earnings on the equity invested in a business and the cost of the equity. Our calculation of economic profit uses average equity for the half-year and is based on a cost of equity of 9 per cent (2003: 9 per cent).

Economic profit instils a rigorous financial discipline in determining investment decisions throughout the Group. It enables us to evaluate alternative strategies objectively, with a clear understanding of the value created by each strategy, and then to select the strategy which creates the greatest value.

	Half-year to 30 June 2004 GBPm	20 GB
Average shareholders' equity	9,840	8,
Profit attributable to shareholders	1,083	1,
Less: notional charge	(440)	(
Economic profit	643	

The notional charge has been calculated by multiplying average shareholders' equity by the cost of equity.

5. Earnings per share

	Half-year to 30 June 2004	2
Basic		
Profit attributable to shareholders	GBP1,083m	GBP1,
Weighted average number of ordinary shares in issue	5,589m	5,
Earnings per share	19.4p	2
Fully diluted		
Profit attributable to shareholders	GBP1,083m	GBP1,
Weighted average number of ordinary shares in issue	5,625m	5,
Earnings per share	19.3p	2

6. Tax

The effective rate of tax was 28.7 per cent compared to an effective rate of tax of 29.2 per cent in the first half of 2003, and the standard UK corporation tax rate of 30 per cent.

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

	Half-year to 30 June	
	2004	20
	GBPm	G
Profit on ordinary activities before tax	1,564	1,
Tax charge thereon at UK corporation tax rate of 30%	469	
Factors affecting charge:		
Goodwill amortisation	5	
Overseas tax rate differences	(3)	
Gains exempted or covered by capital losses	(6)	
Tax deductible coupons on non-equity minority interests	(6)	
Life companies rate differences	(3)	
Other items	(7)	
Tax charge	449	

7. Investment variance

In accordance with generally accepted accounting practice in the UK, it is the Group's accounting policy to carry the investments comprising the reserves held by its life companies at market value. The reserves held to support the with-profits business of Scottish Widows are substantial and changes in market values will result in significant volatility in the Group's embedded value earnings, which are beyond the control of management. Consequently, in order to provide a clearer representation of the underlying performance, the results of the life and pensions, and general insurance businesses are separately analysed to include investment earnings calculated using longer-term investment rates of return. This investment variance represents the difference between the actual investment return in the year on investments backing shareholder funds and the expected return based upon the economic assumptions made at the beginning of the year, and the effect of these fluctuations on the value of in-force business. The effects of other changes in economic circumstances beyond the control of management are also reflected in the investment variance. The longer-term rates of return for the period are consistent with those used by the Group in the calculation of the embedded value at the beginning of the period, which were 7.45 per cent for equities and 4.85 per cent for Gilts.

7. Investment variance (continued)

Lloyds TSB General Insurance also holds investments to support its underwriting business; these are carried at market value and gains and losses included within dealing profits. Consistent with the approach adopted for the life and pensions business, an operating profit for the general insurance business is calculated including investment earnings normalised using the same long-term rates of return.

During the first half of 2004 there was a negative investment variance of GBP72 million, primarily as a result of the impact of a reduction in the value of fixed interest investments.

8. Changes in economic assumptions

In accordance with the Association of British Insurers' detailed guidance for the preparation of figures using the achieved profits method of accounting the Group has reviewed the economic assumptions used in the embedded value calculations. The guidance requires that the assumptions should be reviewed at each reporting date.

The main economic assumptions were revised at 30 June 2004 as follows:

	30 June 2004 %
Risk-adjusted discount rate (net of tax)	7.77
Return on equities (gross of tax)	7.69
Return on fixed interest securities (gross of tax)	5.09
Expenses inflation	3.90

9. Loss on sale of businesses

During the first half of 2004, the Group disposed of its businesses in Panama and Guatemala and a loss of GBP3 million was recognised in the profit and loss account. In July 2004, the Group announced the sale of its businesses in Argentina and Colombia, subject to approval by the relevant regulatory authorities. As a result, a GBP13 million goodwill write-off has been recognised in the profit and loss account for the first half of 2004. During 2003, the

Group disposed of a number of its overseas businesses and, as a result, a loss of GBP15 million was recognised in the Group's profit and loss account in the first half of 2003, and a net profit of GBP880 million was recognised in the second half of 2003. An itemised breakdown is provided below.

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9. Loss on sale of businesses (continued)

	Half-year to 30 June 2004 GBPm
French wealth management businesses	-
Brazilian businesses	-
The National Bank of New Zealand	-
Panama and Guatemala	(3)
Colombia	(13)
	(16)

10. Free Asset Ratio

The free asset ratio is a common measure of financial strength in the UK for long-term insurance businesses. It is the ratio of assets less liabilities (including actuarial reserves but before the required regulatory minimum solvency margin) expressed as a percentage of the liabilities. At 30 June 2004, the free asset ratio of Scottish Widows plc was an estimated 14.0 per cent, compared with 13.6 per cent at 31 December 2003. After adjusting for the required regulatory minimum solvency margin, the Scottish Widows plc ratio, expressed as a percentage of total assets, was an estimated 8.7 per cent at 30 June 2004, compared with 8.3 per cent at 31 December 2003.

11. Reconciliation of movements in shareholders' funds

	Half-year to 30 June 2004 GBPm
Profit attributable to shareholders	1,083
Dividends	(599)
Profit for the period	484
Currency translation differences on foreign currency net investments	(17)
Actuarial losses recognised in post-retirement benefit schemes	-
Issue of shares	9
Movements in relation to own shares	(5)
Goodwill written-back on sale of businesses	3
Net increase in shareholders' funds	474
Shareholders' funds at beginning of period	9,624
Shareholders' funds at end of period	10,098

12. Income and expenses reconciliation

To facilitate comparisons with prior periods, certain income and expense comparisons have been made excluding discontinued operations, changes in economic assumptions, investment variance, customer redress provisions and the sale of emerging markets debt bonds and certain closed foreign exchange positions. Reconciliations are detailed below:

	Half-year to 30 June 2004 GBPm	200 GB
Income, excluding discontinued operations, changes in economic assumptions, investment variance, customer redress provisions, and the sale of emerging markets debt bonds and certain closed foreign exchange positions	4,595	4,
Discontinued operations	-	
Changes in economic assumptions	7	
Investment variance	(72)	
Customer redress provisions	-	(
Sale of emerging markets debt bonds and certain closed foreign exchange positions	-	
Total income	4,530	4,

	Half-year to 30 June 2004 GBPm	20 GB
Expenses, excluding discontinued operations and customer redress provisions	2,363	2,
Discontinued operations	-	
Customer redress provisions	-	
Total operating expenses	2,363	2,

13. Dividend

An interim dividend for 2004 of 10.7p per share (2003: 10.7p), will be paid on 6 October 2004.

Shareholders who have already joined the dividend reinvestment plan will automatically receive shares instead of the cash dividend. Shareholders who have not joined the plan and wish to do so may obtain an application form from Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6DA (telephone 0870 6003990). Key dates for the payment of the dividend are:

Shares quoted ex-dividend

Record date

Final date for joining or leaving the dividend reinvestment plan

Interim dividend paid

14. Other information

Results for the half-year ended 30 June were approved by the directors on 29 July 2004.

Statutory accounts for the year ended 31 December 2003 were delivered to the registrar of companies. The auditors' report on these accounts was unqualified and did not include a statement under sections 237(2) (accounting records or returns inadequate or accounts not agreeing with records and returns) or 237 (3) (failure to obtain necessary information and explanations) of the Companies Act 1985.

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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.

Information about the Group's role in the community and copies of the Group's code of business conduct and its environmental report may be obtained by writing to Public Affairs, Lloyds TSB Group plc, 25 Gresham Street, London EC2V 7HN. This information is also available on the Group's website.

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: 30 July, 2004