

The board

Non-executive directors

- * Member of the audit committee
- ** Chairman of the audit committee
- ◆ Member of the nomination committee
- ◆◆ Chairman of the nomination committee
- † Member of the remuneration committee
- †† Chairman of the remuneration committee
- + Member of the risk oversight committee
- ++ Chairman of the risk oversight committee
- ⊠ Independent director
- ▲ Senior independent director



Sir Victor Blank◆◆†++
Chairman

Joined the board in 2006 as deputy chairman and became chairman in May 2006. Former partner in Clifford-Turner (now Clifford Chance) from 1969 to 1981 and chairman and chief executive of Charterhouse until 1997. Director of The Royal Bank of Scotland from 1985 to 1993 and of GUS from 1993 to 2006 (chairman from 2000). Chairman of Trinity Mirror from 1999 to 2006. A member of the Financial Reporting Council from 2002 to 2007 and a member of the Council of Oxford University from 2000 to 2007. A senior adviser to the Texas Pacific Group. Chairs two charities, WellBeing of Women and UJS Hillel, as well as the Council of University College School. Aged 65.



Wolfgang C G Berndt◆◆†

Joined the board in 2003. Joined Procter and Gamble in 1967 and held a number of senior and general management appointments in Europe, South America and North America, before retiring in 2001. A non-executive director of Cadbury Schweppes, GfK AG and Telekom Austria. Aged 65.



Ewan Brown CBE FRSE▲*+**

Joined the board and became chairman of Lloyds TSB Scotland in 1999. Joined Noble Grossart in 1969 and was an executive director of that company until December 2003. A non-executive director of Noble Grossart and Stagecoach Group, senior governor of the Court of the University of St Andrews and vice chairman of the Edinburgh International Festival. A former chairman of tie and non-executive director of John Wood Group. Aged 65.



Jan P du Plessis◆◆*

Joined the board in 2005. Chairman of British American Tobacco. Held a number of senior and general management appointments in Rembrandt Group from 1981, before joining Compagnie Financière Richemont as group finance director in 1988, a position he held until 2004. A former chairman of RHM from 2005 to 2007 and group finance director of Rothmans International from 1990 to 1995. Aged 54.



Philip N Green◆†*

Joined the board in May 2007. Appointed chief executive of United Utilities in 2006. Former chief executive of Royal P&O Nedlloyd from 2003 to 2005. Previously held senior positions in DHL from 1990 to 1999, becoming chief operating officer for Europe and Africa in 1994, and the Reuters Group from 1999 to 2003, becoming chief operating officer in 2001. A director of Business in the Community, a member of the UK Commission for Employment and Skills and a trustee of the Philharmonia Orchestra. Aged 54.



Sir Julian Horn-Smith◆◆†+

Joined the board in 2005. Held a number of senior and general management appointments in Vodafone from 1984 to 2006 including a directorship of that company from 1996 and of deputy chief executive officer from 2005. Previously held positions in Rediffusion from 1972 to 1978, Philips from 1978 to 1982 and Mars GB from 1982 to 1984. A non-executive director of Digicel Group, a member of the Altimo International advisory board and a senior adviser to UBS in relation to the global telecommunications sector. A former chairman of The Sage Group. Aged 59.



Lord Leitch◆◆*+

Joined the board in 2005. Appointed chairman of Scottish Widows in 2007. Held a number of senior and general management appointments in Allied Dunbar, Eagle Star and Threadneedle Asset Management before the merger of Zurich Group and British American Tobacco's financial services businesses in 1998. Subsequently served as chairman and chief executive officer of Zurich Financial Services (UK & Asia Pacific) until his retirement in 2004. Chairman of the government's Review of Skills (published in December 2006) and deputy chairman of the Commonwealth Education Fund. Chairman of BUPA and Intrinsic Financial Services and a non-executive director of Paternoster and United Business Media. Former chairman of the National Employment Panel. Aged 60.



Sir David Manning GCMG CVO◆

Joins the board on 1 May 2008. Entered the Foreign and Commonwealth Office in 1972 and held senior appointments, including HM ambassador to Israel between 1995 and 1998, foreign policy adviser to the Prime Minister from 2001 to 2003 and HM ambassador to the USA from 2003 to 2007. Aged 58.

Executive directors



J Eric Daniels
Group Chief Executive
 Joined the board in 2001 as group executive director, UK retail banking before his appointment as group chief executive in June 2003. Served with Citibank from 1975 and held a number of senior and general management appointments in the USA, South America and Europe before becoming chief operating officer of Citibank Consumer Bank in 1998. Following the Citibank/Travelers merger in 1998, he was chairman and chief executive officer of Travelers Life and Annuity until 2000. Chairman and chief executive officer of Zona Financiera from 2000 to 2001. Aged 56.



Michael E Fairey
Deputy Group Chief Executive
 (retiring on 30 June 2008)
 Joined TSB Group in 1991 and held a number of senior and general management appointments before being appointed to the board in 1997 and deputy group chief executive in 1998. Joined Barclays Bank in 1967 and held a number of senior and general management appointments, including managing director of Barclays Direct Lending Services from 1990 to 1991. A non-executive director of The Energy Saving Trust and VTX Bidco. President of The British Quality Foundation and chairman of Race for Opportunity. Aged 59.



Terri A Dial
Group Executive Director, UK Retail Banking
 Joined the board in 2005. Served with Wells Fargo in the USA from 1973 to 2001 where she held a number of senior and general management appointments before becoming president and chief executive officer of Wells Fargo Bank in 1998. Chairs the retail committee of the British Bankers' Association. A non-executive director of the LookSmart Corporation and a member of the advisory board of the Judge Business School of Cambridge and the London Skills and Employment Board. Aged 58.



Archie G Kane
Group Executive Director, Insurance and Investments
 Joined TSB Commercial Holdings in 1986 and held a number of senior and general management appointments in Lloyds TSB Group before being appointed to the board in 2000, as group executive director, IT and operations. Appointed group executive director, insurance and investments in October 2003. After some 10 years in the accountancy profession, joined General Telephone & Electronics Corporation in 1980, serving as finance director in the UK from 1983 to 1985. Chairman of the Association of British Insurers. Aged 55.



G Truett Tate
Group Executive Director, Wholesale and International Banking
 Joined the group in 2003 as managing director, corporate banking before being appointed to the board in 2004. Served with Citigroup from 1972 to 1999, where he held a number of senior and general management appointments in the USA, South America, Asia and Europe. He was president and chief executive officer of eCharge Corporation from 1999 to 2001 and co-founder and vice chairman of the board of Chase Cost Management Inc from 1996 to 2003. A non-executive director of BritishAmerican Business Inc. A member of the fund-raising board of the National Society for the Prevention of Cruelty to Children. Aged 57.



Helen A Weir CBE
Group Finance Director
 Joined the board in 2004. Group finance director of Kingfisher from 2000 to 2004. Previously finance director of B&Q from 1997, having joined that company in 1995, and held a senior position at McKinsey & Co from 1990 to 1995. Began her career at Unilever in 1983. A non-executive director of Royal Mail Holdings. A member of the Said Business School Advisory Board and a former member of the Accounting Standards Board. Aged 45.

Alastair J Michie FCIS FCIBS
 Company Secretary

Directors' report

Results and dividends

The consolidated income statement on page 77 shows a profit attributable to equity shareholders for the year ended 31 December 2007 of £3,289 million.

An interim dividend of 11.2p per ordinary share was paid on 3 October 2007 and a final dividend of 24.7p per ordinary share will be paid on 7 May 2008. These dividends will absorb £2,026 million.

Principal activities, business review, future developments and financial risk management objectives and policies

The Company is a holding company and its subsidiary undertakings provide a wide range of banking and financial services through branches and offices in the UK and overseas. A review of the development and performance of the business during the financial year and an indication of the likely future developments are given on pages 2 to 56. Key performance indicators are shown on page i. Information regarding the financial risk management objectives and policies of the Company and its subsidiary undertakings, in relation to the use of financial instruments, is given on pages 36 to 56 and in note 47 on pages 134 to 142.

Directors

Biographical details of directors are shown on pages 58 and 59. Particulars of their emoluments and interests in shares in the Company are given on pages 64 to 75.

Dr DeAnne S Julius and Mr G J N Gemmell left the board on 9 May 2007 and 30 September 2007, respectively.

Mr P N Green joined the board on 10 May 2007 and Sir David Manning has been appointed a director from 1 May 2008. In accordance with the articles of association, they offer themselves for election at the annual general meeting.

Mr M E Fairey, Sir Julian Horn-Smith and Mr G T Tate retire at the annual general meeting and offer themselves for re-election. Mr Ewan Brown, whom the board has asked to remain as a director for a further year, also seeks re-election as stated in the corporate governance report on page 62.

Directors' indemnities

The directors, including two former directors who left during the year, entered into individual contracts of indemnity with the Company which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 1985. These contracts were in force during the whole of the financial year or from the date of appointment in respect of the director who joined the board on 10 May 2007. Since the end of the year following the introduction of relevant sections of the Companies Act 2006, revised contracts of indemnity were entered into with the directors which constitute 'qualifying third party indemnity provisions' and 'qualifying pension scheme indemnity provisions' and these remain in force and are available for inspection at the Company's registered office.

Share capital and control

Information about share capital and control is shown in note 39 on pages 122 to 124; in note 6 of the parent company accounts, included within this document, on page 153; in the corporate governance report on pages 61 to 63; and in the directors' remuneration report on pages 64 to 75.

Employees

The Lloyds TSB Group is committed to providing employment practices and policies which recognise the diversity of our workforce and ensure equality for employees regardless of sex, race, disability, age, sexual orientation or religious belief.

In the UK, the Lloyds TSB Group belongs to the major employer groups campaigning for equality for the above groups of staff, including Employers' Forum on Disability, Employers' Forum on Age and Stonewall. The Group is also represented on the Board of Race for Opportunity and the Equal Opportunities Commission. Our involvement with these organisations enables us to identify and implement best practice for our staff.

Employees are kept closely involved in major changes affecting them through such measures as team meetings, briefings, internal communications and opinion surveys. There are well established procedures, including regular meetings with recognised unions, to ensure that the views of employees are taken into account in reaching decisions.

Schemes offering share options or the acquisition of shares are available for most staff, to encourage their financial involvement in the Lloyds TSB Group.

Donations

The income statement includes a charge for charitable donations totalling £37,463,000 (2006: £37,335,000), including £37,183,000 (2006: £37,133,000) which will be paid under deeds of covenant to the four Lloyds TSB Foundations during 2008.

Policy and practice on payment of creditors

The Company follows 'The Better Payment Practice Code' published by the Department of Business, Enterprise and Regulatory Reform (BERR), regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from the BERR as shown on page 159.

The Company's policy is to agree terms of payment with suppliers and these normally provide for settlement within 30 days after the date of the invoice, except where other arrangements have been negotiated. It is the policy of the Company to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

As the Company owed no amounts to trade creditors at 31 December 2007, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 1985, is nil.

Auditors and audit information

Each person who is a director at the date of approval of this report confirms that, so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

Resolutions concerning the re-appointment of PricewaterhouseCoopers LLP as auditors and authorising the audit committee to set their remuneration will be proposed at the annual general meeting.

On behalf of the board

A J Michie
Company Secretary
21 February 2008

Compliance with the combined code

The board considers that good governance is central to achieving the Group's governing objective of maximising shareholder value over time. That has been uppermost in directors' minds when applying the principles contained in the combined code on corporate governance issued by the Financial Reporting Council. The Group has complied with the provisions of the code and has done so throughout the year regarding the provisions where the requirements are of a continuing nature.

The board and its committees

The Group is led by a board comprising executive and non-executive directors with wide experience. The appointment of directors is considered by the board and, following the provisions in the articles of association, they must stand for election by the shareholders at the first annual general meeting following their appointment and must retire, and may stand for re-election by the shareholders, at least every three years. Independent non-executive directors are appointed for three-year renewable terms, which may, in accordance with the articles of association, be terminated without notice or payment of compensation.

The board meets at least nine times a year. It has a programme designed to enable the directors regularly to review corporate strategy and the operations and results of the businesses and discharge their duties within a framework of prudent and effective controls relating to the assessing and managing of risk.

The roles of the chairman, the group chief executive and the board and its governance arrangements, including the schedule of matters specifically reserved to the board for decision, are reviewed annually. The matters reserved to the board for decision include the approval of the annual report and accounts and any other financial statements; the payment of dividends; the long term objectives of the Group; the strategies necessary to achieve these objectives; the Group's budgets and plans; significant capital expenditure items; significant investments and disposals; the basis of allocation of capital within the Group; the organisation structure of the Group; the arrangements for ensuring that the Group manages risks effectively; any significant change in accounting policies or practices; the appointment of the Company's main professional advisers and their fees; and the appointment of senior executives within the organisation and related succession planning.

According to the articles of association, the business and affairs of the Company are managed by the directors, who have delegated to management the power to make decisions on operational matters, including those relating to credit, liquidity and market risk, within an agreed framework.

All directors have access to the services of the company secretary, and independent professional advice is available to the directors at the Group's expense, where they judge it necessary to discharge their duties as directors.

During the year, the board conducted a formal evaluation of its performance and that of its committees and individual directors, with advice and assistance from Dr Tracy Long, of Boardroom Review. Directors were invited to comment, through questionnaires and interviews, and the responses were reviewed and discussed by the board. Where areas for improvement were identified, action has been agreed.

The chairman's performance was evaluated by the non-executive directors, taking account of the views of executive directors. This appraisal was discussed at a meeting of the non-executive directors, led by the senior independent director, without the chairman being present.

The remuneration committee reviewed the performance of the chairman, the group chief executive and the other group executive directors, when considering their remuneration arrangements. The nomination committee reviewed the performance of all the directors and the independence of non-executive directors. Like all board committees, the nomination committee and remuneration committee report to the board on their recommendations and decisions, including the results of the performance and independence evaluations.

The chairman has a private discussion at least once a year with every director on a wide range of issues affecting the Group, including any matters which the directors, individually, wish to raise.

There is an induction programme for all new directors, which is tailored to their specific requirements and includes visits to individual businesses and meetings with senior management. Major shareholders are also offered the opportunity to meet new non-executive directors. Additional training and updates on particular issues are arranged as appropriate.

Meetings with shareholders

In order to develop an understanding of the views of major shareholders, the board receives regular reports from the group finance director and the director of investor relations.

The chairman, the group chief executive and the group finance director also have meetings with representatives of major shareholders and the senior independent director also attends some of these meetings. In addition, all directors are invited to attend investment analysts' and stockbrokers' briefings on the financial results.

All shareholders are encouraged to attend and participate in the Group's annual general meeting.

Each resolution considered at the annual general meeting in 2007 was decided on a poll. Votes representing some fifty per cent of the total number of shares in issue were cast and each resolution was passed by a substantial majority. Details of the poll results were announced following the meeting and displayed on our website, www.lloydstsb.com. They are available from the company secretary.

The resolutions to be considered at the annual general meeting in 2008 will also be decided on a poll. Details of the results will be announced following the meeting and will be displayed on our website, www.lloydstsb.com. They will also be available from the company secretary.

Audit committee

The audit committee comprises Mr Brown (chairman), Mr du Plessis (who will succeed Mr Brown as chairman after the annual general meeting), Mr Green and Lord Leitch. The committee's terms of reference are available from the company secretary and are displayed on our website www.lloydstsb.com.

During the year, the audit committee received reports from, and held discussions with, management and the auditors. In discharging its duties, the committee has approved the auditors' terms of engagement, including their remuneration and, in discussion with them, has assessed their independence and objectivity (more information about which is given in note 10 to the accounts, in relation to the procedure for approving fees for audit and non-audit work) and recommended their re-appointment at the annual general meeting. The committee also reviewed the financial statements published in the name of the board and the quality and acceptability of the related accounting policies, practices and financial reporting disclosures; the scope of the work of the group audit department, reports from that department and the adequacy of its resources; the effectiveness of the systems for internal control, risk management and compliance with financial services legislation and regulations (more information about which is given in the note about internal control on page 63); the results of the external audit and its cost effectiveness; and reports from the external auditors on audit planning and their findings on accounting and internal control systems. Procedures for handling complaints regarding accounting, internal accounting controls or auditing matters and for staff to raise concerns in confidence were established by the committee. The committee also had a meeting with the auditors, without executives present, and a meeting with the director of group audit alone.

Chairman's committee

The chairman's committee, comprising the chairman, the group chief executive and the deputy group chief executive, meets to assist the chairman in preparing for board meetings.

The committee exercises specific powers delegated to it by the board from time to time.

Group executive committee

The group executive committee, comprising the group chief executive, the deputy group chief executive, the group executive directors, the chief risk director, the group human resources director and the director of group IT and operations, meets to assist the group chief executive in performing his duties. Specifically, the committee considers the development and implementation of strategy, operational plans, policies and budgets; the monitoring of operating and financial performance; the assessment and control of risk; the prioritisation and allocation of resources; and the monitoring of competitive forces in each area of operation. The committee, assisted by its sub-committees, the group business risk and group asset and liability committees, also supports the group chief executive in endeavouring to ensure the development, implementation and effectiveness of the Group's risk management framework and the clear articulation of the Group's risk policies, and in reviewing the Group's aggregate risk exposures and concentrations of risk.

The committee exercises specific powers delegated to it by the board from time to time. To comply with the Group's articles of association, only committee members who are also directors of the company participate in the exercising of any powers delegated by the board.

Nomination committee

The nomination committee, comprising Sir Victor Blank (chairman), Dr Berndt, Mr du Plessis, Sir Julian Horn-Smith and Lord Leitch, reviews the structure, size and composition of the board, taking into account the skills, knowledge and experience of directors and considers and makes recommendations to the board on potential candidates for appointment as directors. The committee also makes recommendations to the board concerning the re-appointment of any independent non-executive director by the board at the conclusion of his or her specified term; the re-election of any director by the shareholders under the retirement provisions of the articles of association; any matters relating to the continuation in office of a director; and the appointment of any director to executive or other office in the company, although the chairman of the company would not chair the committee when it was dealing with the appointment of a successor to the chairmanship of the company.

During the year, in accordance with the plans for the orderly succession for appointments to the board, the committee recommended the appointment of two non-executive directors. In that regard, detailed role specifications were drawn up, external search consultants were engaged and candidates were interviewed by committee members and other directors.

In addition, the directors agreed with the committee's recommendation that Mr Brown be asked to remain on the board for a further year. This would enable the group to continue to benefit from his wide experience and maintain an appropriate balance of skills and experience on the board, as part of the plans for orderly succession for appointments. His continuing membership of the audit committee and understanding of the Group's activities will be particularly helpful to the new chairman of that committee. Mr Brown remains the senior independent director and both the nomination committee and the board considered the matter very carefully and concluded that Mr Brown was independent in character and there were no relationships or circumstances which were likely to affect, or could appear to affect, the director's judgement. As stated in the directors' report, Mr Brown will stand for re-election at the annual general meeting, in accordance with the provisions of the combined code on corporate governance issued by the Financial Reporting Council which apply to independent non-executive directors who have served on the board for more than nine years from the date of their first election.

The committee's terms of reference are available from the company secretary and are displayed on our website www.lloydstsb.com.

Remuneration committee

Information about the remuneration committee's membership and work is given in the directors' remuneration report on pages 64 to 75 and its terms of reference are available from the company secretary and are displayed on the Company's website www.lloydstsb.com.

Risk oversight committee

The risk oversight committee comprises Sir Victor Blank (chairman), Mr Brown, Sir Julian Horn-Smith and Lord Leitch. All non-executive directors are also invited to attend meetings if they wish. The risk oversight committee's duties include overseeing the development, implementation and maintenance of the Group's overall risk management framework, and its risk appetite, strategy, principles and policies, to ensure they are in line with emerging regulatory, corporate governance and industry best practice. The committee also oversees the Group's risk exposures; facilitates the involvement of non-executive directors in risk issues and aids their understanding of these issues; oversees adherence to Group risk policies and standards and considers any material amendments to them; and reviews the work of the Group Risk division.

Attendance at meetings

The attendance of directors at board meetings and at meetings of the audit, nomination, remuneration and risk oversight committees during 2007 was as follows:

	Board	Audit committee	Nomination committee	Remuneration committee	Risk oversight committee
Number of meetings during the year	14	6	4	4	4
Current directors who served during 2007					
W C G Berndt	14		4	4	
Sir Victor Blank	14		4	4	4
Ewan Brown	14	6			4
J E Daniels	14				
T A Dial	14				
J P du Plessis	13	6	4		
M E Fairey	14				
P N Green ¹	8			3	1
Sir Julian Horn-Smith	12		4	4	3
A G Kane	14				
Lord Leitch	13	6	3		4
G T Tate	14				
H A Weir	14				
Former directors who served during 2007					
G J N Gemmell ²	10	3			
D S Julius ³	1				

¹ Appointed to the board and remuneration committee from 10 May 2007 and the audit committee from 14 December 2007. A member of the risk oversight committee from 1 July 2007 to 14 December 2007.

² Left the board on 30 September 2007.

³ Left the board on 9 May 2007.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the consolidated and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. The directors consider that in preparing the financial statements on pages 77 to 156 the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider applicable have been followed.

The directors have responsibility for ensuring that the Company and the Group keep proper accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 1985 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

A copy of the financial statements of the Company is placed on the website of Lloyds TSB Group plc. The directors are responsible for the maintenance and integrity of statutory and audited information on the Company's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Internal control

The board of directors is responsible for the establishment and review of the Lloyds TSB Group's system of internal control, which is designed to ensure effective and efficient operations, quality of internal and external reporting, internal control, and compliance with laws and regulations. It should be noted, however, that such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. In establishing and reviewing the system of internal control the directors have regard to the nature and extent of relevant risks, the likelihood of a loss being incurred and the costs of control. It follows, therefore, that the system of internal control can only provide reasonable but not absolute assurance against the risk of material loss.

The directors and senior management are committed to maintaining a control-conscious culture across all areas of operation. This is communicated to all employees by way of published policies and procedures and regular management briefings. A requirement to comply with internal control risk policies is a key component of individual staff objectives expressed in the balanced scorecard. Key business risks are identified, and these are controlled by means of procedures such as physical controls, credit, trading and other authorisation limits and segregation of duties. In addition, there is an annual control self assessment exercise whereby the key businesses and head office functions review specific controls and attest to the accuracy of their assessments. The assessment covers all EWRM categories and is in accordance with the principles of the Combined Code. As in previous years, this exercise was completed for the year ended 31 December 2006. All returns have been satisfactorily completed and appropriately certified.

The effectiveness of the internal control system is reviewed regularly by the board and the audit committee, which also receives reports of reviews undertaken around the Lloyds TSB Group by its risk management function, including Group Compliance, and Group Audit. The audit committee receives reports from the Company's auditors, PricewaterhouseCoopers LLP, (which include details of significant internal control matters that they have identified) and has a discussion with the auditors at least once a year without executives present, to ensure that there are no unresolved issues of concern.

Going concern

The directors are satisfied that the Company and Lloyds TSB Group have adequate resources to continue to operate for the foreseeable future and are financially sound. For this reason they continue to adopt the going concern basis in preparing the accounts.

Directors' remuneration report

This is a report made by the board of Lloyds TSB Group plc, on the recommendation of the remuneration committee. It covers the current and proposed components of the remuneration policy and details the remuneration for each serving director during 2007.

Statement from Wolfgang Berndt

I am delighted to introduce the report of the board in relation to remuneration policy and practice.

In 2005, we conducted a comprehensive and independent review of remuneration policy for our most senior executives which led to a number of important policy changes, including the introduction of a new long-term incentive plan. This plan has been used for all long-term awards made since its introduction and we believe that this plan will continue to underpin our primary objective of attracting, retaining and motivating executives of the highest calibre.

As detailed in last year's report and given strong endorsement by shareholders who voted on the Directors' Remuneration Report at our 2006 AGM, we made some changes to the annual incentive scheme for 2007, with an increase in the maximum bonus opportunity for executive directors to 200 per cent of salary (225 per cent for Mr Daniels) to ensure that the individual elements and the totality of our reward offering is competitive. We believe that a policy of positioning basic salaries at the median of the market combined with the substantial proportion of total reward opportunity being at risk through our short and long-term incentive schemes, underpinned by demanding performance conditions, provides strong levels of alignment with shareholders' interests as well as engaging the executive directors in pursuing long-term shareholder value.

Looking forward, Lloyds TSB's remuneration policy remains unchanged and, following further independent review, we intend to maintain the short and long-term incentive schemes in their current form. We believe that it is essential for the positioning of our package to be highly competitive against the external market; and in setting appropriate pay levels we will continue to consider remuneration practice of FTSE 20, and at the same time take close account of our direct competitors, namely the major UK banks, with whom we typically compete for high calibre talent.

The committee met on four occasions during 2007 and, in addition to its regular business, attention was given to:

- reviewing the appropriateness of comparator groups used for the purpose of benchmarking overall levels of reward opportunity
- considering the level of Group performance and the correlation with outcomes under our previous long-term incentive awards
- examining the linkage between performance and remuneration elsewhere in the business, with a particular focus on annual bonus schemes which apply to areas of the Group operating in highly specialised pay markets
- monitoring the appropriateness of remuneration arrangements applicable to the wider executive management population across the Group.

In terms of changes to the committee's membership, Mr Green joined the committee in May, replacing Dr Julius. In addition to welcoming Mr Green, I am extremely grateful to Dr Julius for her contribution to the work of the committee.

We have made a number of changes to this year's report which are intended to demonstrate our commitment to the highest levels of clarity and comprehensive disclosure. Given our stated aim of ensuring a strong level of alignment between overall performance and reward outcomes, I believe that the actual levels of reward disclosed in the report which follows are entirely consistent with Lloyds TSB's performance in 2007.

The remuneration committee unanimously recommends that you vote to approve the remuneration report at the 2008 AGM.

Dr Wolfgang Berndt

Chairman, Remuneration Committee

Content of remuneration report

- Role of remuneration committee
- Remuneration committee membership
- Advisers to the committee
- Directors' remuneration policy
- Dilution limits
- Pensions
- Service agreements
- External appointments
- Performance graphs
- Audited information

Role of remuneration committee

The committee reviews the remuneration policy for the top management group, to ensure that members of the executive management are provided with appropriate incentives to encourage them to enhance the performance of the Group and that they are rewarded for their individual contribution to the success of the organisation. It advises on major changes of employee benefits schemes and it also agrees the policy for authorising claims for expenses from the group chief executive and the chairman. It has delegated power for settling remuneration for the chairman, the group executive directors, the company secretary and any group employee whose salary exceeds a specified amount.

All the independent non-executive directors are invited to attend meetings if they wish, and they receive the minutes and have the opportunity to comment and have their views taken into account before the committee's decisions are implemented.

The committee's terms of reference are available from the company secretary and are displayed on the Group's website www.lloydstsb.com.

Remuneration committee membership

- Dr Berndt (chairman)
- Sir Victor Blank
- Mr Green (from 10 May when he joined the board)
- Sir Julian Horn-Smith
- Dr Julius (until 9 May when she left the board)

Advisers to the committee

Towers Perrin, New Bridge Street Consultants and Kepler Associates were engaged by the committee to advise on matters relating to executive remuneration. Over the course of 2007 Towers Perrin also provided market remuneration data as well as other remuneration consulting services to the Group.

In addition, in 2007, Alithos Limited provided information on behalf of the committee for the testing of the total shareholder return (TSR) (calculated by reference to both dividends and growth in share price) performance conditions for the Group's long-term incentive schemes.

Mr Daniels, Mr Fairey, Mrs Risley (Group Human Resources Director from 23 May 2007) and Mr Farley (Reward & Employment Policy Director) provided guidance to the committee (other than for their own remuneration).

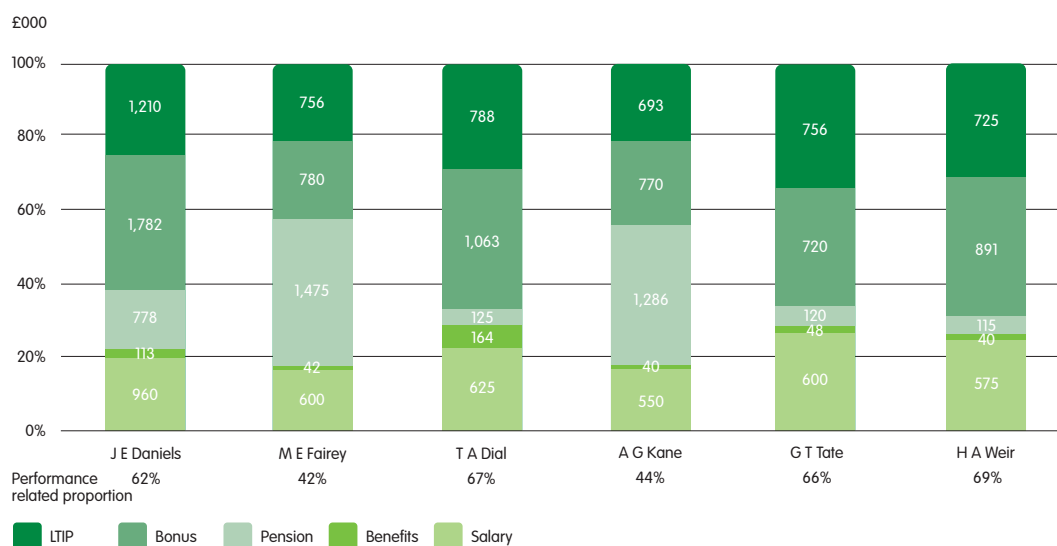
Directors' remuneration policy

The Group's remuneration policy is to ensure that individual rewards are aligned with the Group's performance and the interests of its shareholders, and that cost effective packages are provided which attract and retain executive directors and senior management of the highest calibre and motivate them to perform to the highest standards. The main principles, which remain unchanged from last year, are:

- FTSE 20 adopted as the comparator group used to benchmark overall competitiveness of the remuneration package whilst taking particular account of the remuneration practice of our direct competitors, namely the major UK banks. The FTSE 20 is regarded as providing a realistic and relevant comparison in terms of company size and sector, as well as being a key market for talent.
- Basic salaries positioned to reflect the relevant market median and total direct compensation (basic salary, annual incentives and the value of long-term incentives) designed to enable upper quartile performance to be rewarded with upper quartile remuneration levels.
- The majority of total compensation is linked to the achievement of stretching performance targets.
- The long-term rewards are aligned to shareholder interests, which is achieved by taking account of measures that reflect shareholder interests, and by expecting executive directors to build a shareholding in the Group equivalent to 1.5 times (2 times for the group chief executive) the directors' base pay. Executives are expected to retain at least 50 per cent of all net vested equity until the guideline is met.
- The overall package reflects market practice and takes account of the terms and conditions applying to other employees of the Group.

Composition of directors' remuneration

In 2007 the total compensation of the executive directors consisted of components in the following proportions:



Note: Salary and benefits are the actual amounts received during 2007; pension for those directors in the defined benefits scheme (Messrs Daniels, Fairey and Kane) is the increase in actual transfer value for 2007; pension for those in the defined contribution scheme (Mr Tate and Mrs Weir) is the sum of the employer's contribution and any cash pension supplement; pension for Ms Dial is the cash salary supplement she receives for choosing not to join the pension scheme; performance bonus is that payable in respect of 2007 and includes the value of any award made under the Group's 'shareplan'; and the value of the LTIP awarded in 2007 is the expected value calculated by using a 'binomial' model, which is a widely accepted methodology for this purpose.

Directors' remuneration report

Chairman's remuneration

The chairman's remuneration comprises salary and benefits which are broadly similar to those extended to the executive directors. However, he does not participate in the annual bonus and long-term incentive arrangements, nor is he entitled to pension benefits.

The chairman's salary is reviewed annually, usually in December, taking into account performance and market information and then adjusted from 1 January of the following year. His salary from 1 January 2008 is £640,000.

Independent non-executive directors' fees

The fees of the independent non-executive directors are agreed by the board within a total amount determined by the shareholders. Directors may also receive fees, agreed by the board, for membership of board committees. The fees are designed to recognise the various responsibilities of a non-executive director's role and to attract individuals with relevant skills, knowledge and experience. The fees are neither performance related nor pensionable and are comparable with those paid by other companies. The annual fees from 1 January 2008 are listed below with the figures applicable since the previous review in January 2007 in brackets.

Board	£65,000	(£60,000)
Audit committee chairmanship	£50,000	(£50,000)
Audit committee membership	£20,000	(£15,000)
Nomination committee membership	£5,000	(£5,000)
Remuneration committee chairmanship	£30,000	(£25,000)
Remuneration committee membership	£15,000	(£15,000)
Risk oversight committee membership	£15,000	(£15,000)

Independent non-executive directors who serve on the boards of subsidiary companies may also receive fees from the subsidiaries. The fees paid in 2007 to the current non-executive directors are shown in the table below:

2007 non-executive directors' fees	Lloyds TSB Group					Lloyds TSB Scotland	Scottish Widows	2007 Total fees
	Board	Audit committee	Remuneration committee	Nomination committee	Risk oversight committee	Board	Board	
W C G Berndt	60,000		25,000	5,000				90,000
Ewan Brown	60,000	50,000			15,000	26,000		151,000
J P du Plessis	60,000	15,000		5,000				80,000
P N Green	38,478	592	9,620		6,908			55,598
Sir Julian Horn-Smith	60,000		15,000	5,000	15,000			95,000
Lord Leitch	60,000	15,000		5,000	15,000		34,508	129,508

Executive director basic salaries

Basic salaries are reviewed annually, usually in December, taking into account individual performance and market information (which is provided by Towers Perrin) and then adjusted from 1 January of the following year. Basic salary increases for other employees across the Group will be generally in the range of 0-10 per cent. Whilst the salary increases awarded to executive directors are normally consistent with this policy, any variation will be supported by robust and independent competitive market analysis. The current and previous annual basic salaries for the executive directors are shown in the table below:

Name	J E Daniels	M E Fairey	T A Dial	A G Kane	G T Tate	H A Weir
As at 1 January 2008	£1,035,000	£630,000	£680,000	£590,000	£640,000	£625,000
As at 1 January 2007	£960,000	£600,000	£625,000	£550,000	£600,000	£575,000
% increase	7.8%	5.0%	8.8%	7.3%	6.7%	8.7%

Annual incentive scheme

The annual incentive scheme for executive directors is designed to reflect specific goals linked to the performance of the business.

Incentive awards for executive directors are based upon individual contribution and overall corporate results. Half of the bonus opportunity is driven by corporate performance based on the stretching budget relating to profit before tax and economic profit. The lower of profit before tax and economic profit will determine the extent to which the target has been met. The other half of the bonus opportunity is determined by divisional achievement driven through individual performance. Individual targets relevant to improving overall business performance are contained in a balanced scorecard and are grouped under the following headings:

Financial

Franchise Growth

Customer Service

Risk

People Development

These targets are weighted differently for each of the executive directors, reflecting differing strategic priorities. The non-financial measures include key performance indicators relating to process efficiency, service quality and employee engagement.

The maximum bonus opportunity is 200 per cent (225 per cent for Mr Daniels) of basic salary for the achievement of exceptional performance targets. The maximum payment under the corporate half of the bonus is only available if exceptional performance is achieved against the stretching corporate budget. An amount equal to 50 per cent of this element of the bonus is available on the achievement of the stretching corporate budget. Failure to achieve at least 90 per cent of the stretching budget would result in no payment under the corporate half of the bonus.

Awards under the annual incentive scheme are made in cash only.

PricewaterhouseCoopers LLP check the calculation of the annual incentive payments for executive directors based on the achievement of performance against targets set. In respect of performance in 2007, the bonuses awarded to the directors and the relevant percentages are shown in the table below:

Name	J E Daniels	M E Fairey	T A Dial	A G Kane	G T Tate	H A Weir
Opportunity	225%	200%	200%	200%	200%	200%
Bonus awarded	£1,782,000	£780,000	£1,062,500	£770,000	£720,000	£891,250
% awarded	185.6%	130.0%	170.0%	140.0%	120.0%	155.0%
Corporate performance	90.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Individual performance	95.6%	50.0%	90.0%	60.0%	40.0%	75.0%

In 2007, the Group performed strongly against the backdrop of significant turbulence in global financial markets. The 80 per cent of opportunity awarded for the corporate half of the bonus plan was deemed by the remuneration committee to be the appropriate level to recognise this performance and the marked progress made by the Group against its key performance indicators. The profit before tax* increased by 6 per cent to £3,919 million and the economic profit increased by 9 per cent to £1,842 million. Excluding the £280 million charge arising from the market dislocation, the Group grew profits by 13 per cent from £3,710 million to £4,199 million. While we cannot overlook the impact of the dislocation on our results, these numbers are more reflective of the ongoing performance of the Group.

Excellent progress has also been made in cost management. Although costs grew by 1 per cent, there has been a significant cost:income ratio improvement to 49.0 per cent: the groupwide productivity improvement programme exceeded 2007 expectations and remains on track for benefits of approximately £250 million to be achieved in 2008.

Some of the key non-financial achievements include an increase in the Group customer CARE Index and we again won the award for Britain's most trusted bank (for the seventh year in succession) and the CBI Corporate Bank of the year award (for the third year running). We have seen a strengthening of our risk framework, which has served us well in the current environment. We have also seen a further improvement in our Employee Engagement Index, which on a comparative basis places us above the financial services norm and in line with the high performing company score. TSR performance, particularly when tracked against our comparator group, also continues to improve.

Other key achievements within the three commercial divisions of the Group, which impact on the individual balanced score card elements of bonus awards made to Ms Dial, Mr Tate and Mr Kane, were:

- Profit before tax from UK Retail Banking, excluding settlement of overdraft claims, increased by 17 per cent reflecting strong levels of franchise growth, excellent cost management and a slightly reduced impairment charge.
- Profit before tax from Wholesale and International Banking decreased by 12 per cent, reflecting the £280 million reduction in profits as a result of market dislocation. Excluding this impact, profit before tax increased by 5 per cent, and in the relationship banking businesses, good trading momentum has continued.
- Profit before tax from Insurance and Investments increased by 9 per cent. Strong progress was made in increasing bancassurance sales and the profit before tax from Scottish Widows Investment Partnership increased by 52 per cent, reflecting higher margins and an improved mix of business. The increased weather related claims, largely relating to the severe flooding in the UK, contributed to a 47 per cent reduction in profit before tax in the General Insurance business.

*To enable meaningful profit before tax comparisons to be made with 2006, the figures quoted above exclude insurance related volatility, the profit on sale of businesses, settlement of overdraft claims in 2007 and the pension schemes related credit in 2006.

Directors' remuneration report

Long-term incentive plan

The aim of the long-term incentive plan is to deliver shareholder value through linking the receipt of shares to an improvement in the performance of the Group over a three year period.

Awards in any one financial year will not normally exceed three times basic salary at the time of award. In exceptional circumstances this may be increased up to four times basic salary. Awards will lapse at the end of the performance period to the extent that the performance conditions have not been satisfied. There will be no retesting.

The award granted to each of the directors in 2007 was set at the maximum level of three times basic salary. This was to ensure that the total compensation package, including the value of long-term incentives, remains appropriately positioned against the market. Pending a wider review of executive remuneration and the need to ensure that we continue to provide a fully market competitive remuneration framework, following shareholder consultation the remuneration committee will be looking to exercise its discretion in 2008 to make enhanced long-term incentive awards for a number of directors. Any such awards will not exceed the overall limits of the plan as previously approved by shareholders.

Under the plan, awards of shares may be made, with the number of shares received subject to the satisfaction of two distinct pre-determined performance conditions, measuring performance of the Group.

50 per cent of any award granted (the 'TSR Award') will be based on a condition measuring the Company's TSR against the comparator group listed below. In order for the TSR Award to vest in full, it will be necessary for the Company's TSR to exceed the median of the TSR of the comparator group by an average of 7.5 per cent per annum.

17.5 per cent of the TSR Award (8.75 per cent of the total award) will vest where the Company's TSR is equal to median and vesting will occur on a straight line basis in between these points. Where the Company's TSR is below the median of the comparator group, the TSR Award will lapse.

The TSR performance period starts on the date awards are granted, and average the share price over three months before the grant date.

Other companies in the comparator group:

Alliance & Leicester	Aviva	Banco Santander	Barclays
Bradford & Bingley	Friends Provident	HBOS	HSBC Holdings
Legal & General	Northern Rock	Prudential	Royal Bank of Scotland
Royal & Sun Alliance	Standard Chartered		

From 2008 Northern Rock will be removed from this comparator group following the Government's decision to take this company into temporary public ownership.

The other 50 per cent of any award granted (the 'EPS Award') will be based on earnings per share (EPS) growth calculated on a compound annualised basis. In order for the EPS Award to vest in full, the EPS growth over the performance period must be at least equivalent to an average of the Retail Price Index (RPI) plus 6 per cent per annum. 17.5 per cent of the EPS Award (8.75 per cent of the total award) will vest where EPS growth is an average of the RPI plus 3 per cent per annum and vesting will occur on a straight line basis in between these points. Where the EPS growth is less than an average of the RPI plus 3 per cent per annum, the EPS Award will lapse.

EPS is the Group's normalised earnings per ordinary share as shown in the Group's report and accounts, adjusted if necessary for consistency. Details of the Group's basic earnings per share are shown in the consolidated income statement on page 77.

Details of previous long-term incentive plans are shown on pages 74 and 75.

Other share plans

The executive directors and the chairman are also eligible to participate in the Group's 'sharesave' scheme and the Group's 'shareplan'. These are 'all-employee' share schemes and performance conditions do not apply.

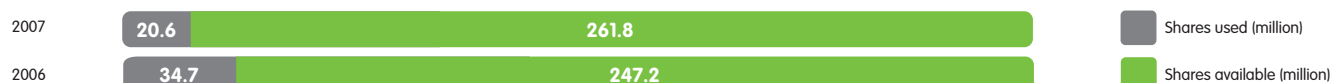
Dilution limits

The following charts illustrate the shares available for the Group's share schemes.

All schemes (10% in any consecutive 10 years)



Executive schemes (5% in any consecutive 10 years)



Pensions

Executive directors are either entitled to participate in the Group's defined benefit pension schemes (based on salary and length of service, with a maximum pension of two thirds of final salary), or the Group's defined contribution scheme (under which their final entitlement will depend on their contributions and the final value of their fund). The defined benefit schemes are closed to new entrants on recruitment.

Service agreements

The Group's policy is for executive directors to have service agreements with notice periods of no more than one year. All current executive directors are entitled to receive 12 months' notice from the Group, but would be required to give 6 months' notice if they wished to leave. Executive directors normally retire at age 60. However, following the implementation of The Employment Equality (Age) Regulations 2006, they may now choose to delay their retirement until age 65.

It is the Group's policy that where compensation on early termination is due, it should be paid on a phased basis, mitigated in the event that alternative employment is secured, and that bonus payments should relate to the period of actual service, rather than the full notice period and will be determined on the basis of performance.

Any entitlements under the pension scheme or equity plans will be in accordance with the scheme rules on leaving.

	Notice to be given by the Company	Date of service agreement/letter of appointment
Sir Victor Blank	6 months	25 January 2006
J E Daniels	12 months	19 October 2001
M E Fairey	12 months	28 August 1991
T A Dial	12 months	23 May 2005
A G Kane	12 months	9 February 2000
G T Tate	12 months	29 July 2004
H A Weir	12 months	4 March 2004

Independent non-executive directors do not have service agreements and their appointment may be terminated, in accordance with the articles of association, at any time without compensation.

External appointments

The Group recognises that executive directors may be invited to become non-executive directors of other companies and that these appointments may broaden their knowledge and experience, to the benefit of the Group. Fees are normally retained by the individual directors as the post entails personal responsibility. Executive directors are generally allowed to accept one non-executive directorship.

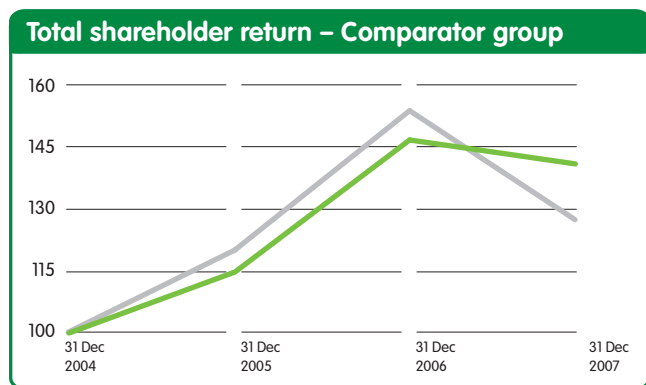
During 2007, Mr Fairey, Ms Dial and Mrs Weir received fees of £22,333, \$38,000 and £42,500 respectively, which were retained by them, for serving as non-executive directors of other companies. In addition Mrs Weir received and retained £7,500 for serving as a member of the Accounting Standards Board in 2007.

Performance graphs

The first graph compares the Company's TSR with the median TSR of the comparator group detailed on page 68. This is the comparator group used for the TSR performance conditions for executive share awards since 2005 (ie executive share options in 2005, performance share plan in 2005/06 and the long-term incentive plan since 2006).

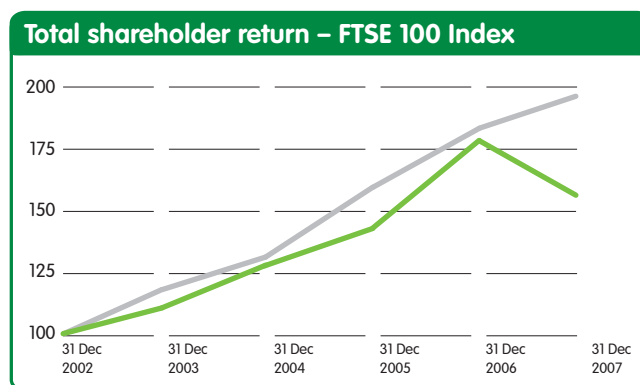
The second graph illustrates the performance of the Group measured by TSR against a 'broad equity market index' over the past five years. The Group has been a constituent of the FTSE 100 index throughout this five year period.

Comparative TSR



— Lloyds TSB Group plc
— Comparator Group median

Source: Alithos Limited



— Lloyds TSB Group plc
— FTSE 100 Index

Rebased to 100 on 31 December 2002
Source: Datastream

Directors' emoluments for 2007

	Salaries/ fees £000	Other benefits		Performance- related payments £000	2007 Total £000	2006 Total £000
		Cash £000	Non cash £000			
Current directors who served during 2007						
Executive directors						
J E Daniels	960	105	8	1,811	2,884	2,444
M E Fairey	600	35	7	798	1,440	1,885
T A Dial	625	285	4	1,081	1,995	1,719
A G Kane	550	20	20	787	1,377	1,252
G T Tate	600	21	27	738	1,386	1,303
H A Weir	575	83	19	909	1,586	1,310
Non-executive directors						
Sir Victor Blank	600	20	11	30	661	405
W C G Berndt	90				90	72
Ewan Brown	151				151	134
J P du Plessis	80				80	67
P N Green	56				56	–
Sir Julian Horn-Smith	95				95	82
Lord Leitch	130				130	80
Former directors who served during 2007						
G J N Gemmell	97				97	121
D S Julius	27				27	68
Others						315
	5,236	569	96	6,154	12,055	11,257

Mr Fairey waived fees payable to him as a director of Lloyds TSB Group Pension Trust (No.1) Limited and Lloyds TSB Group Pension Trust (No.2) Limited, which totalled £10,750 in 2007 (2006: £10,000 waived).

Mr Brown waived fees payable to him as a director and chairman of Lloyds TSB Group Pension Trust (No.1) Limited and Lloyds TSB Group Pension Trust (No.2) Limited, which totalled £15,500 in 2007 (2006: £14,750 waived).

Mr Gemmell left the board on 30 September 2007 but remained a director of Scottish Widows Group and received fees of £11,250 from that company for the period October to December 2007.

The cash column under 'other benefits' includes flexible benefits payments (4 per cent of basic salary), the tax planning allowances for Mr Daniels and Ms Dial, the housing allowance and pension scheme allowance for Ms Dial, payments to certain directors who elect to take cash rather than a company car under the car scheme and the cash balance of pension allowance for Mrs Weir. Sir Victor Blank has elected to take cash rather than a company car and the payment made to him includes a backdated payment in respect of the period May–December 2006.

The non cash column includes amounts relating to the use of a company car, use of a company driver and private medical insurance. It also includes the value of any matching shares which are received under the terms of shareplan, through which employees have the opportunity to purchase shares up to a maximum of £125 per month and receive matching shares on a one for one basis up to a maximum value of £30 per month, rounded down to the nearest whole share.

Performance-related payments relate to cash bonuses based on group performance and the attainment of pre-determined targets relating to profit before tax and economic profit. These payments also include the value of any award made under shareplan, the first £3,000 of which is made in the form of shares in Lloyds TSB Group plc. The payment made to Sir Victor Blank relates to his participation in the shareplan in 2007 and a backdated entitlement in respect of the period May–December 2006.

Directors' pensions

The executive directors are members of one of the pension schemes provided by the Lloyds TSB Group with benefits either on a defined benefit or defined contribution basis. Those directors who joined the Lloyds TSB Group after 1 June 1989 and are members of a defined benefit scheme, have pensions provided on salary in excess of the earnings cap either through membership of a funded unapproved retirement benefits scheme (FURBS) or by an unfunded pension promise.

Retirement pensions accrue at rates of between 1/60 and 1/30 of basic salary.

Directors have a normal retirement age of 60. However, following the implementation of The Employment Equality (Age) Regulations 2006, they may now choose to delay their retirement until age 65. In the event of death in service, a lump sum of four times salary is payable plus, for members of a defined benefit scheme, a spouse's pension of two-thirds of the member's prospective pension. On death in retirement, a spouse's pension of two-thirds of the member's pension is payable. The defined benefit schemes are non-contributory. Members of defined contribution schemes are required to contribute.

Ms Dial elected to become a member of a pension scheme for life cover only. She joined the Lloyds TSB Group on 1 June 2005. She receives a salary supplement of 20 per cent of basic pay as an alternative to an employer contribution to a pension scheme.

Defined contribution scheme members

Mr Tate is a member of a defined contribution scheme. During the year to 31 December 2007, the employer has made contributions to the defined contribution scheme in respect of him totalling £120,000.

Mrs Weir is a member of a defined contribution scheme. During the year to 31 December 2007, the employer has made contributions to the defined contribution scheme in respect of her totalling £52,708.

Defined benefit scheme members

	Accrued pension at 31 December 2007 £000 (a)	Accrued pension at 31 December 2006 £000 (b)	Change in accrued pension £000 (a)-(b)	Transfer value at 31 December 2007 £000 (c)	Transfer value at 31 December 2006 £000 (d)	Change in transfer value £000 (c)-(d)	Additional pension earned to 31 December 2007 £000 (e)	Transfer value of the increase £000 (f)
J E Daniels	147	120	27	2,878	2,100	778	23	443
M E Fairey	322	287	35	7,499	6,024	1,475	25	577
A G Kane	306	265	41	5,701	4,415	1,286	31	573

The disclosures in columns (a) to (d) are as required by the Companies Act 1985 Schedule 7A.

Columns (a) and (b) represent the deferred pension to which the directors would have been entitled had they left the Group on 31 December 2007 and 2006, respectively (ignoring the two-year requirement to qualify for a deferred pension).

Column (c) is the transfer value of the deferred pension in column (a) calculated as at 31 December 2007 based on factors supplied by the actuary of the relevant Lloyds TSB Group pension scheme in accordance with actuarial guidance note GNT1. The basic method used to arrive at the factors has not changed during the year, but the underlying basis has been strengthened to allow for mortality improvements and a reduction in the long-term post-retirement investment return.

Column (d) is the equivalent transfer value, but calculated as at 31 December 2006 on the assumption that the director left service at that date.

Column (e) is the increase in pension built up during the year, recognising (i) the accrual rate for the additional service based on the pensionable salary in force at the year end, and (ii) where appropriate the effect of pay changes in 'real' (inflation adjusted) terms on the pension already earned at the start of the year.

Column (f) is the capital value of the pension in column (e).

The disclosures in columns (e) and (f) are as required by the UK Listing Authority listing rules. The requirements of the listing rules differ from those of the Companies Act. The listing rules require the additional pension earned over the year to be calculated as the difference between the pension accrued at the end of the financial year and the pension accrued at the start of the financial year less the increase in the pension earned over the year solely due to inflation. The transfer value in column (f) can differ significantly from the change in transfer value as required by the Companies Act because the additional pension accrued over the year calculated in accordance with the listing rules makes allowance for inflation and the change in the transfer value required by the Companies Act will be significantly influenced by changes in the assumptions underlying the transfer value calculation at the beginning and end of the financial year.

Members of the Lloyds TSB Group's pension schemes have the option to pay additional voluntary contributions: neither the contributions nor the resulting benefits are included in the above table.

Major changes to the legislation governing the provision of pensions in the UK (known as pension simplification) came into effect in April 2006. Benefits from an approved pension scheme will be limited to the Lifetime Allowance, currently £1.6 million which is equivalent to an annual pension of £80,000. Any benefit in excess of this amount will incur a tax charge for the individual. The Group has agreed that if an executive director has benefits in excess of the Lifetime Allowance they may cease to accrue benefits in the Scheme and receive a salary supplement as an alternative. This will not cost the Group more than the current arrangements. The Group will not compensate any individual in respect of any increased tax liability arising from pension simplification. To date, the executive directors affected have elected to continue to accrue benefits in the approved scheme.

Directors' interests

The interests, all beneficial, of those who were directors at 31 December 2007 in shares in Lloyds TSB Group were:

Shares	At 1 January 2007 (or later date of appointment)	At 31 December 2007	At 21 February 2008*
Executive directors			
J E Daniels	165,174	166,023	166,099
M E Fairey	82,864	83,914	83,943
T A Dial	577	1,138	
A G Kane	136,078	137,000	137,076
G T Tate	4,139	8,112	8,187
H A Weir	6,255	10,511	
Non-executive directors			
Sir Victor Blank	100,000	200,000	
W C G Berndt	96,000	170,000	
Ewan Brown	4,469	4,677	
J P du Plessis	10,000	10,000	
P N Green	–	5,000	
Sir Julian Horn-Smith	5,000	5,000	
Lord Leitch	10,000	10,000	

*The changes in beneficial interests between 31 December 2007 and 21 February 2008 related to 'partnership' and 'matching' shares acquired under the Lloyds TSB Group shareplan.

Interests in share options

	At 1 January 2007	Granted during the year	Exercised/ lapsed during the year	At 31 December 2007	Exercise price	Exercise periods		Notes
						From	To	
J E Daniels	599,239		599,239	–	394.25p	21/2/2006	20/2/2013	d, i
	305,232		305,232	–	430p	14/8/2006	13/8/2013	d, i
	939,177			939,177	419.25p	18/3/2007	17/3/2014	d, g
	521,876			521,876	474.25p	17/3/2008	16/3/2015	e, h
	2,236			2,236	418p	1/6/2009	30/11/2009	a, h
M E Fairey	48,000			48,000	859.5p	15/5/2001	14/5/2008	b, f
	57,000			57,000	817p	2/8/2002	1/8/2009	b, g
	85,896			85,896	549.5p	6/3/2003	5/3/2010	c, g
	10,931			10,931	615.5p	8/8/2003	7/8/2010	c, g
	42,884			42,884	655p	6/3/2004	5/3/2011	c, g
	663,157		663,157	–	394.25p	21/2/2006	20/2/2013	d, i
	555,992			555,992	419.25p	18/3/2007	17/3/2014	d, g
	344,754			344,754	474.25p	17/3/2008	16/3/2015	e, h
	1,789			1,789	418p	1/6/2009	30/11/2009	a, h
T A Dial	464,134			464,134	474p	11/8/2008	10/8/2015	e, h
A G Kane	50,000			50,000	880p	4/3/2001	3/3/2008	b, f
	27,000			27,000	887.5p	4/3/2002	3/3/2009	b, g
	64,786			64,786	549.5p	6/3/2003	5/3/2010	c, g
	11,841			11,841	615.5p	8/8/2003	7/8/2010	c, g
	34,759			34,759	655p	6/3/2004	5/3/2011	c, g
	5,783			5,783	284p	1/6/2008	30/11/2008	a, h
	529,105		529,105	–	394.25p	21/2/2006	20/2/2013	d, i
	523,255			523,255	419.25p	18/3/2007	17/3/2014	d, g
	300,474			300,474	474.25p	17/3/2008	16/3/2015	e, h
G T Tate	348,837		348,837	–	430p	14/8/2006	13/8/2013	d, i
	268,336			268,336	419.25p	18/3/2007	17/3/2014	d, g
	195,409			195,409	403p	12/8/2007	11/8/2014	d, g
	300,474			300,474	474.25p	17/3/2008	16/3/2015	e, h
	3,851			3,851	418p	1/6/2011	30/11/2011	a, h
H A Weir	556,208			556,208	424.75p	29/4/2007	28/4/2014	d, g
	5,093			5,093	321p	1/11/2009	30/4/2010	a, h
	300,474			300,474	474.25p	17/3/2008	16/3/2015	e, h
Other share plan								
T A Dial	242,825			242,825	(see page 75)	1/6/2008	30/11/2008	h

a) Sharesave.

b) Executive option granted between March 1997 and August 1999.

c) Executive option granted between March 2000 and March 2001.

d) Executive option granted between February 2003 and August 2004.

e) Executive options granted from March 2005.

f) Exercisable.

g) Not exercisable as the performance conditions had not been met.

h) Not exercisable as the option has not been held for the period required by the relevant scheme.

i) These share options lapsed as the performance condition had not been met.

The market price for a share in the Company at 1 January 2007 and 31 December 2007 was 577.5p and 472p, respectively. The range of prices between 1 January 2007 and 31 December 2007 was 451.25p to 614p.

None of the other directors at 31 December 2007 had options to acquire shares in Lloyds TSB Group plc or its subsidiaries.

The following table contains information on the performance conditions for executive options granted since 1997. The remuneration committee chose the relevant performance condition because it was felt to be challenging, aligned to shareholders' interests and appropriate at the time.

Options granted	Performance conditions
March 1997 – August 1999	Growth in earnings per share which is equal to the aggregate percentage change in the retail price index plus two percentage points for each complete year of the relevant period plus a further condition that the Company's ranking based on TSR over the relevant period should be in the top fifty companies of the FTSE 100.
March 2000 – March 2001	As for March 1997 – August 1999 except that there must have been growth in the earnings per share equal to the change in the retail price index plus three percentage points for each complete year of the relevant period.
February 2003 – August 2004	That the Company's ranking based on TSR over the relevant period against a comparator group (17 UK and international financial services companies including Lloyds TSB) must be at least ninth, when 14 per cent of the option will be exercisable. If the Company is ranked first in the group, then 100 per cent of the option will be exercisable and if ranked tenth or below the performance condition is not met. At the end of 2007 Lloyds TSB Group was ranked 9th after four years of the performance period for options granted in 2004. Options granted in 2003 lapsed as the performance condition had not been met.
March 2005 – August 2005	That the Company's ranking based on TSR over the relevant period against a comparator group (15 companies including Lloyds TSB) must be at least eighth, when 30 per cent of the option will be exercisable. If the Company is ranked first to fourth position in the group, then 100 per cent of the option will be exercisable and if ranked ninth or below the performance condition is not met. At the end of 2007 Lloyds TSB Group was ranked 5th after the three year performance period for options granted in 2005.

Lloyds TSB performance share plan

Under the plan, executive directors were required to defer 50 per cent of their bonus awards in 2005 and 2006 into shares in the Company, known as bonus shares. The number of bonus shares awarded was calculated after the deduction of income tax and national insurance from the deferred element of the bonus. The bonus shares are held on behalf of the executive for a period of three years before release.

Executives received a further award of 'performance shares' on the basis of two performance shares for each bonus share. The receipt of the performance shares is dependent on the satisfaction of a TSR performance condition measured over three financial years of the Company.

The following bonus and performance shares relating to the bonus awards for 2004 and 2005 are available under the plan.

	Bonus shares		Performance shares		Award price	Bonus shares release and performance share award date
	At 1 January 2007	At 31 December 2007	At 1 January 2007	At 31 December 2007		
J E Daniels	57,737	57,737	195,720	195,720	479p	18/3/2008
	50,944	50,944	172,694	172,694	566.10p	20/3/2009
M E Fairey	31,901	31,901	108,140	108,140	479p	18/3/2008
	22,459	22,459	76,134	76,134	566.10p	20/3/2009
T A Dial	16,909	16,909	57,322	57,322	566.10p	20/3/2009
A G Kane	22,171	22,171	75,156	75,156	479p	18/3/2008
	20,531	20,531	69,598	69,598	566.10p	20/3/2009
G T Tate	22,710	22,710	76,982	76,982	479p	18/3/2008
	27,358	27,358	92,738	92,738	566.10p	20/3/2009
H A Weir	16,628	16,628	56,366	56,366	479p	18/3/2008
	20,062	20,062	68,008	68,008	566.10p	20/3/2009

The following table contains information on the performance conditions for performance shares. The remuneration committee chose the relevant performance condition because it was felt to be challenging, aligned to shareholders' interests and appropriate at the time.

Performance shares awarded	Performance conditions
March 2005 and March 2006	That the Company's ranking based on TSR over the relevant period against a comparator group (15 companies including Lloyds TSB) must be at least eighth for any shares to be received. If ranked ninth or below no shares would be received. The maximum of two performance shares for each bonus share will be awarded only if the Company is first in the comparator group; one performance share will be awarded for each bonus share if the Company is placed fifth; and one performance share for every two bonus shares if the Company is placed eighth. Between first and fifth positions and fifth and eighth positions a sliding scale will apply. Whilst income tax was deducted from the deferred bonus before the conversion to bonus shares, where a match of performance shares is justified, these shares will be awarded as if income tax had not been deducted. This maintains the original design of the plan prior to the issue of guidance from HM Revenue & Customs in December 2004. At the end of 2007 Lloyds TSB Group was ranked 5th after the three year performance period for the performance shares awarded in 2005.

Lloyds TSB long-term incentive plan

The following are conditional share awards available under the plan. The share price for the 2007 award was 539p. Further information regarding this plan can be found on page 68.

	At 1 January 2007	Awarded during the year	At 31 December 2007	Year of vesting
J E Daniels	507,692		507,692	2009
		534,322	534,322	2010
M E Fairey	328,846		328,846	2009
		333,951	333,951	2010
T A Dial	328,846		328,846	2009
		347,866	347,866	2010
A G Kane	288,460		288,460	2009
		306,122	306,122	2010
G T Tate	297,114		297,114	2009
		333,951	333,951	2010
H A Weir	288,460		288,460	2009
		320,037	320,037	2010

The following table contains information on the performance conditions for awards made under the long-term incentive plan. The remuneration committee chose the relevant performance condition because it was felt to be challenging, aligned to shareholders' interests and appropriate at the time.

LTI award	Performance conditions
May 2006	<p>For 50 per cent of the award (the 'EPS Award') – the percentage increase in earnings per share of the Group (on a compound annualised basis) over the relevant period must be at least an average of 6 percentage points per annum greater than the percentage increase (if any) in the retail price index over the same period. If it is less than 3 per cent per annum the EPS Award will lapse. If the increase is more than 3 but less than 6 per cent per annum then the proportion of shares released will be on a straight line basis between 17.5 per cent and 100 per cent. The relevant period commenced on 1 January 2006 and ends on 31 December 2008.</p> <p>For the other 50 per cent of the award (the 'TSR Award') – it will be necessary for the Company's TSR to exceed the median of a comparator group (14 companies) over the relevant period by an average of 7.5 per cent per annum for the TSR Award to vest in full. 17.5 per cent of the TSR Award will vest where the Company's TSR is equal to median and vesting will occur on a straight line basis in between these points. Where the Company's TSR is below the median of the comparator group, the TSR Award will lapse. The relevant period commenced on 1 January 2006 and ends on 31 December 2008.</p>
March 2007	<p>For 50 per cent of the award (the 'EPS Award') – the performance condition was as described for May 2006 with the relevant performance period commencing on 1 January 2007 and ending on 31 December 2009.</p> <p>For the other 50 per cent of the award (the 'TSR Award') – the performance condition was as described for May 2006 with the relevant performance period commencing on 8 March 2007 (the date of Award) and ending on 7 March 2010.</p>

Alithos Limited provided information for the testing of the TSR performance conditions for the Group's long-term incentive schemes. EPS is the Group's normalised earnings per share as shown in the Group's report and accounts, subject to such adjustments as the remuneration committee regard as necessary for consistency.

Other share plan

Lloyds TSB Group executive share plan 2005

Ms Dial is the only participant in this plan and holds an option, granted to her in June 2005, to acquire 242,825 ordinary shares in Lloyds TSB Group plc for a total price of £1. The option was granted as part of the remuneration package considered necessary to attract her from the USA and is designed to encourage her to remain with Lloyds TSB Group plc. The option is not, therefore, subject to any performance condition but will normally become exercisable only if she remains an employee, and has not given notice of resignation, on 31 May 2008. Full details of the plan were set out in the 2005 annual report.

None of those who were directors at the end of the year had any other interest in the capital of Lloyds TSB Group plc or its subsidiaries.

On behalf of the board

A J Michie

Company Secretary
21 February 2008