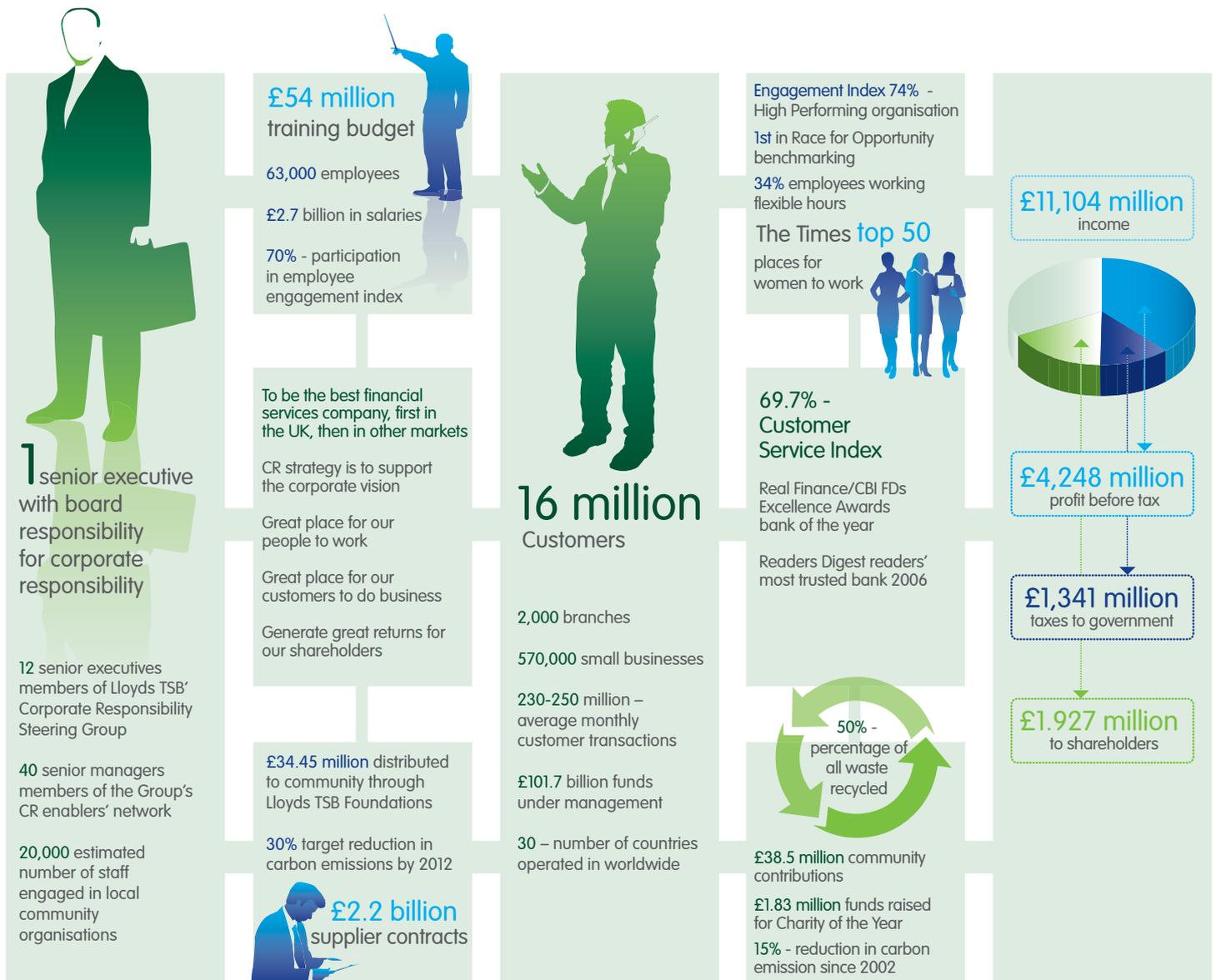


Corporate Responsibility Report 2006



About this report

We have developed a management approach to corporate responsibility (CR) that ensures we have:

- a clear and constant purpose, helping us to focus on the delivery of results;
- a focus on customers and how we can create value by better meeting their needs;
- a systematic application of processes and fact-based assessments to manage our business and to make our strategic decisions;
- the ability to identify what we need to do to develop our people and maximise their potential;
- the scope to derive value from meeting our responsibilities to the communities we serve.

In this, we have adopted use of the European Foundation of Quality Managements CR Framework. This report is based on a self-assessment

against the Framework, involving around 40 senior managers around the business, in the early part of 2007 based on 2006 data. It is validated by CSE Associates, EFQM licensed consultants.

The report is divided into nine sections referenced to the nine separate criteria of the EFQM CR Framework. The criteria are divided into enablers and results. The enablers – what an organisation does – cover leadership, people, strategy, partnerships and resources and processes. The results – what an organisation achieves – are separated into people, customer, society and business results.

In this report, we set out each of the nine criteria in a separate section, defined by standard EFQM terms and relevant evidence is given under each one. The results criteria are divided into perception and performance measures and data is provided against each of these.

Leadership



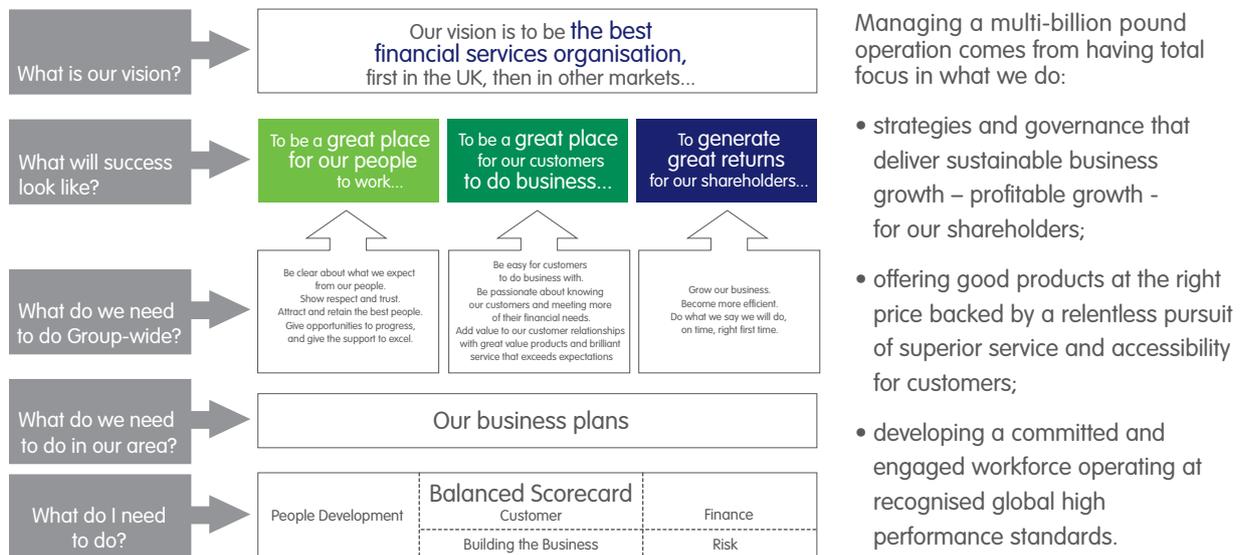
Excellent leaders ensure the mission, vision, values and ethics of the organisation reflect a socially responsible culture, which they role model and reinforce with the organisation's people. They ensure the management system addresses current and future social, environmental and economic issues as well as all relevant stakeholders on these topics. The leaders ensure that any change takes into account the organisation's CR commitments.

Lloyds TSB is a major banking and insurance group, predominantly UK-based, but with operations in some 30 countries around the world. At the end of 2006, we were Europe's 13th largest bank by market capitalisation.

We have nearly 63,000 employees worldwide, serving a franchise comprising some 16 million personal and business customers. Our operation in the UK is probably the largest in terms of distribution reach, serving urban and rural communities through a network of over 2,000 retail outlets in addition to other mainstream channels such as Internet and telephone banking.

Since the merger between Lloyds Bank and TSB Group in 1996 we have more than doubled profits, built significant market shares in the provision of retail financial services, and our cross-selling ratio of products per customer is industry leading. In 2006, our post-tax return on average shareholders equity was 26.6%.

This has been accomplished against the background of a huge amount of change in the UK financial services industry. Competition is intensifying, and the UK financial services market is facing up to the impact of ever increasing regulation and price controls.



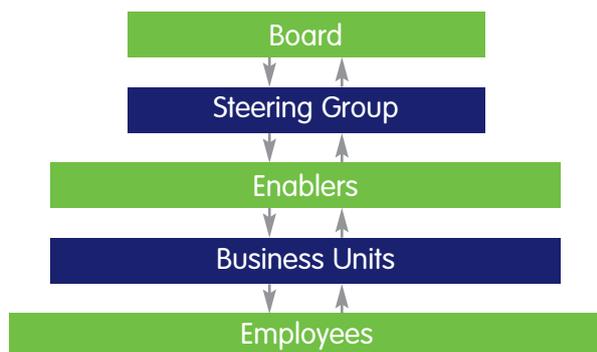
Our corporate vision is to make Lloyds TSB the best financial services company, first in the UK then in other markets. Our CR strategy is to support our corporate vision by helping to build a great place for our people to work, a great place for our customers to do business, and generating great returns for our shareholders. In so doing, we believe we create value for all our stakeholders through:

- more effective risk management;
- enhanced brand perception, consideration and commitment;
- increased employee engagement;
- increased customer satisfaction;
- improved responsiveness to changes in patterns of customer behaviour;
- supporting development of new markets and innovation in existing markets;
- delivering competitive advantage through better corporate responsibility management.

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Our approach to corporate responsibility reflects a value-based approach where external expectations demand a very hard focus on margin, productivity and investment performance. Corporate responsibility is no different from any other investment in the strategic assets and capabilities that drive business performance.

The vision and strategy are underpinned by an enterprise-wide scorecard of performance measures – the balanced scorecard – agreed by the Board for the Chief Executive and other senior executives. These are translated for every team and individual. The balanced scorecard focuses on performance related to key stakeholder relationships – customers, employees and shareholders – but also incorporates objectives for managing relationships with wider stakeholder groups.



The Board reviews overall corporate responsibility performance annually and individual issues are subject to board discussion throughout the year. Our Corporate Responsibility Steering Group is chaired by the deputy group chief executive and comprises senior executives from all business divisions and relevant group functions. The steering group meets quarterly to review strategy, provide direction and recommend actions.

We have also formalised a network of senior managers across the business who report into members of the Group's Corporate Responsibility Steering Group and could assume responsibility for local implementation initiatives. Around 40 individuals have so far been identified – functional specialists in key CR areas or line managers in the main business units.

This enablers' network provides a direct link to the business units and individual employees. The priorities of the business units and the views of employees are reflected in their contribution to developing our CR objectives and actions through an annual self-assessment and regular reviews of activity (see the results of the 2006 self-assessment on page 4).

Delivery of our CR Strategy and objectives is informed by extensive stakeholder dialogue. Our long-standing commitment to a wide range of stakeholders is set out in the Group's code of business conduct

(see www.lloydstsb.com/corporate_responsibility)

We engage with governmental and non-governmental organisations, community groups and policy and pressure groups. Senior executives and directors are often involved in leading this dialogue through face-to-face meetings or joint working groups fostered by membership of external organisations such as the British Bankers' Association, Association of British Insurers, Confederation of British Industry and Business in the Community.

We are members of CSR Europe, the European Academy of Business in Society, and the Environment Council. We chair the FORGE working group exploring CR issues for the financial services sector and participate in the Small Business Consortium of leading small business representative and non-governmental organisations seeking to promote CR in the small and medium-sized enterprise sector.

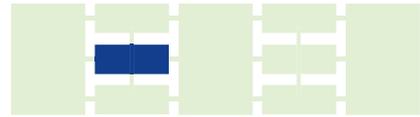
Thousands of our employees are committed professionally and personally to a whole range of external organisations. For example, our deputy group chief executive is chairman of Race for Opportunity, a board member of Business in the Community, chairman of the British Quality Foundation, a governor of the European Foundation of Quality Management, and non-executive board member of the Energy Saving Trust.

In 2006, we undertook two specific pieces of structured CR stakeholder dialogue:

- A review of our CR reporting, facilitated by our reporting consultancy, Context, with representatives of key audiences including investors, consumer organisations, NGOs, charities, and other businesses.
- A review of the impact of our CR reputation internally and externally, conducted by Reputation Inc. This involved focus groups and one-to-one interviews with a large number of external stakeholders, and senior executives and senior managers within the Group.

The results of this dialogue are reported under Business Results on page 18.

Policy & Strategy



Excellent organisations embed CR into their policy, strategy and day-to-day activities by integrating the mission and vision with policy and strategy, by involving internal and external stakeholders and their present and future needs and expectations in the development, review and updating of policy and strategy. They develop strategies to identify and address the current and future social, environmental and economic challenges the organisation faces and the current and potential markets in which they operate. They also have processes in place to develop and deploy the strategy.

In an increasingly competitive market where customers are able to exercise choice among providers, we believe that shareholder value creation is closely linked to customer value creation. It is only by meeting our customers' needs that we will win the right to a bigger share of their total financial services spend.

We believe that corporate responsibility, built around the creation of employee motivation, customer satisfaction and brand loyalty, has a major part to play in supporting our business strategy. Our commitment to corporate responsibility helps promote trust in the Lloyds TSB brand and reinforces customer loyalty and advocacy. Lloyds TSB is rooted in local communities throughout the UK. By investing in the communities where we operate we not only create economic value but also make a positive social contribution.

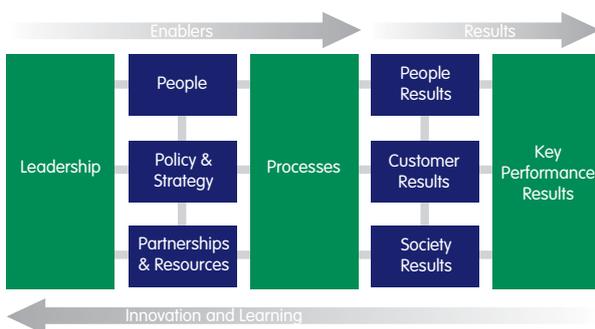
- complements our Balanced Scorecard approach to performance management;
- delivers intrinsic internal and external benchmarking opportunities;
- facilitates stakeholder engagement at all levels of the organisation.

We were involved, as a member of the EFQM working group, in developing the framework in 2003. Since that time we have used the framework to:

- Undertake self-assessment across the business.
- Use existing data collection processes to inform the self-assessment but identify gaps in data and work with business units to improve data collection in line with needs of the business.
- Analyse performance and perception of performance against the framework and identify strengths and key areas for improvement.
- Identify improvement priorities and improvement activity that aligns with Balanced Scorecard objectives for individual business units.
- Review progress with business units on an ongoing basis and globally with the Corporate Responsibility Steering Group.
- Share results and progress with relevant networks of employees throughout the business, to both highlight achievements and gain buy-in to supporting improvement activity in individual business units.
- Facilitate effective benchmarking of performance with other organisations using Excellence approaches across industries and sectors.

Corporate responsibility management

EFQM Excellence Model



In seeking to better manage our corporate responsibility, we have adopted the European Foundation of Quality Management's corporate responsibility framework. We believe it is ideally suited to its purpose as it:

- is business driven;
- aligns corporate responsibility with business strategy;

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In March 2006, based on 2005 performance, 28 of our enablers' network undertook the most in-depth self-assessment yet against the EFQM corporate responsibility framework, validated by CSE Associates, EFQM licensed consultants. A whole range of Areas for Improvement were identified and prioritised. These are shown in the table below.

2006 Enablers' self-assessment Areas for Improvement

| Areas | Objectives |
|---|---|
| Targeted internal communications programme | Develop CR content in all internal communications channels and establish business unit champions amongst CR steering Group and Enablers' network |
| Ensure managers understand how CR fits with business as usual | Build the business case for corporate responsibility with specific case study evidence to demonstrate application across the business. |
| Promote employee CR proposition | Shift internal perceptions from basic CR awareness and understanding, through commitment and engagement to build employee advocacy. |
| Develop CR management system | Use enablers' self-assessment and areas for improvement to develop agreed balanced scorecard objectives and resultant Key Performance Indicators. |
| Local stakeholder engagement | Develop best practice resources to support local activity and leverage existing commitments. |
| Build financial inclusion programme | Support research to increase sustainability of community finance schemes and enhance commercial attractiveness of sector. |
| Review CR contribution to business tender process | Work with Corporate Relationship Managers to develop CR contribution to business tenders and pitches. |
| Enhance CR aspects of procurement process | Work with Group Procurement to implement ethical purchasing policy and review contribution to environmental performance. |
| Develop Climate Change strategy | Review carbon management programme, environmental performance indicators and develop targets. |

In early 2007, the CR team undertook a series of review meetings with enablers to review progress against the identified areas for improvement. Progress against the objectives is detailed in the relevant sections of this report. From this review, and the self-assessment incorporating review evidence undertaken in March 2007, we have now developed a coherent set of strategic focuses to frame our primary objectives and activities going forward. These are:

- better communication;
- focused key stakeholder engagement;
- CR management development;
- confronting climate change;
- increasing financial inclusion;
- supporting brand positioning.

People



The organisation is socially responsible to its people through managing, developing and releasing the full potential of people at individual, team based and organisational level, by involving and empowering them in discussions on CR and related activities and planning. People's knowledge and competencies are identified and developed. The organisation rewards, recognises and promotes people in all fairness and equality and has a dialogue with them.

Based on our analysis of long-term employee satisfaction, customer satisfaction and individual business unit financial performance data, we know that improved employee satisfaction drives: lower employee turnover; increased staffing adequacy; lower overtime commitments; and higher employee engagement.

We have identified six primary determinants of employee engagement:

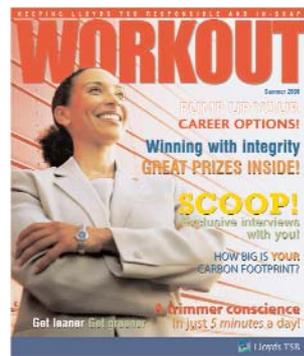
- providing staff with opportunities for training and development;
- giving staff the flexibility and scope to use their abilities and initiative;
- inspiring leadership from top management;
- the extent to which staff believe Lloyds TSB is highly regarded;
- creating a culture where people feel involved and understand how their work contributes to the group's overall success;
- the extent to which the group is seen as being socially and environmentally responsible and ethical in its operations.

We measure employee engagement with the quarterly Engagement Index. It was launched in 2005 and an average of 70% of employees participated in the four surveys in 2006.

Employee CR communication

Fundamental to our communications strategy is the belief in a corporate responsibility business case. It is premised on the impact of our CR reputation on employee engagement - both their perception of our social, environmental and ethical performance and

understanding of how that responsibility is a feature of all our business operations. This employee 'CR proposition' recognises that effective communication of the link between business strategy and CR priorities will increase employees' CR awareness and understanding. Ultimately, it will raise levels of engagement, commitment and advocacy of the organisation as both an employer and provider of financial services.



In September 2006, as part of our communication segmented by stakeholder audience approach, we published an employee-focused CR report for the first time. Workout reflected the key CR issues our employees told us they thought important in

a series of focus groups in 2005 – responsible lending, people development, local community engagement and the environment – in a lively and engaging format. It was published as a supplement to our employee magazine, Upfront and circulated to all employees.

Upfront magazine itself is published monthly and contains a range of features and news stories on key CR events and issues. It builds on a daily intranet news service, UpFront News which featured over 250 CR related news stories in 2006. These 'bulletin' news stories are supplemented by extensive CR information, regularly updated, on the Group's corporate responsibility intranet site which is also linked to CR information on other business units' intranet sites.

Distribution of 20,000 copies of the Group's CR Review to branches, our customer CR leaflet 'Honest, responsible, trustworthy....' and the availability of all these materials

on our website means that many of our employees also accessed these customer-focused publications.

People management

Most employee dialogue is through formalised personal relationships between individuals and their line managers. Regular performance reviews and development planning provide opportunities for staff to speak about their concerns and expectations.

We recognise that one of the main drivers of employee engagement is the degree to which our people understand where they fit in the organisation and the contribution they make. Every individual's annual objectives and performance measures are linked, through the Balanced Scorecard to the Group's core business strategy.

Employee performance is measured against balanced scorecards that take account of the needs of customers, employees and shareholders. All staff have objectives which, in addition to financial performance measures, include building the business in the longer term, customer service, risk management and people development. Management remuneration and incentives are linked directly to specific areas of CR, such as service quality.

Career Paths and people development planning linked to balanced scorecards are intended to support the self-management of personal progression. Career Paths supports individual performance and development by creating a structured forum for understanding our people, their achievements and development needs. The process is focused around regular meetings between employee and line manager in which they will work through four steps: a review of performance, behaviours and experience; an individual's objectives; and development plans for the next year. Over 9,400 employees, 77% of those in relevant grades, were covered under Career Paths in 2006. All other employees have a personal development plan to support achievement of individual Balanced Scorecard objectives.

We also conduct frequent employee forums and focus

groups to test opinions on a range of issues, from company strategy and employee benefits to product development. Our confidential "whistleblowing" telephone line is available to all employees to report concerns that they feel unable or unwilling to raise with their line manager.

Learning & development

Our training framework enables employees to develop a clear learning plan that reflects their specific learning and career needs. This is embedded in the annual performance assessment process.

The University for Lloyds TSB (UfLTSB), one of the largest corporate universities in Europe, provided over 33,257 training days and nearly 17,263 delegate places in addition to online learning through Group-wide network of 2,029 multimedia personal computers, and 20 dedicated 'cyber-cafes'.

The University for Lloyds TSB works with external companies to provide "blended learning" programmes; where information delivered on-line is supplemented with face-to-face training. Programmes are also certificated by external organisations providing employees with performance benchmarks and portable qualifications.

Most of our business units are committed to Investors in People, a standard for ensuring staff have the opportunity to reach their full potential.

The leadership and management curriculum of the University for Lloyds TSB includes a range of courses which can include short-term 'secondments' or interim management 'consultancy' with external organisations. The approach is designed to both test individuals' skills and competencies in a different environment and provide performance development in key stakeholder engagement approaches including networking and influencing skills. In 2006, such courses were part of Career Paths support to those people in the organisation moving from managing 'self' to managing others and managing managers.

Equality & diversity

To create an inclusive working environment and embrace the diversity of our workforce we have in place a comprehensive diversity strategy. We routinely undertake research to identify key issues and build activities into our work programmes and are considered leaders in the field of good diversity employment practice. Examples include:

- A comprehensive package of policies to support working parents; guidance packs for pregnant women and their line managers; information booklets to support fathers.
- Our women's network is one of the largest and longest established in the UK. We have sponsored the national First Women awards since inception.
- We participate annually in the Race for Opportunity national benchmarking survey and use the feedback to inform our race work programme for the forthcoming year. We provide a career progression programme for ethnic minority managers and support an employee-led network for ethnic minority staff. We also sponsor the Asian Women of Achievement and the Asian Jewel Awards.
- We work closely with the Employers Forum on Disability to help inform and shape our disability work. Our initiatives include a personal development programme for disabled staff, a process to make work-place adjustment for disabled staff who need them, accessibility standards as an integral part of all IT developments and we support an employee-led network for disabled staff.
- In 2006 we launched our sexual orientation strategy and now have in place an employee-led network for lesbian, gay and bisexual (LGB) staff. We work closely with Stonewall. The business has also responded to the implications of the Civil Partnership Act and the forthcoming goods and services legislation.

Work-life balance

Our work options policy gives staff the opportunity to adopt flexible working practices, job sharing, varied hours, teleworking and reduced hours where it is practicable for our business.

Reward & recognition

Our competitive working conditions include: basic pay; territorial allowances where applicable; a company car scheme; pension schemes; bonuses based on performance; and an employee share scheme. Over 4.7% of Lloyds TSB shares are held by over 66,000 staff and pensioners, or on their behalf by the trustee of the staff share schemes.

Flavours is our flexible benefits programme – over 66% of employees participated in 2006 – and we give an opportunity to obtain free company shares and savings-linked share schemes.

Recognition and reward schemes are widely used throughout the organisation to celebrate team and individual achievement. While our emphasis is on everyday actions - listening, noticing, acknowledging and appreciating our colleagues' contribution - we also formally recognise those who have exceeded expectations and pushed boundaries in areas such as colleague support, customer service and community commitment.

Human rights and fair terms of employment

In addition to obeying the law wherever we operate, our policy is to respect and support the United Nations Universal Declaration of Human Rights, together with the International Labour Organisation (ILO) Fundamental Conventions, covering equality, freedom of association and the elimination of forced labour and child labour.

Many employees in the UK are represented by two recognised trade unions which are consulted regularly. For those working in the EU, we hold a yearly European Employee Forum where key employment issues are discussed.

Partnerships & Resources



Excellent organisations plan and manage partnerships and resources to support policy and strategy and CR objectives, balancing the current and future needs of the organisation with those of society and the natural environment. The economic, social and environmental impacts of external relationships, finance, buildings, equipment and materials, technology and information are taken into account in their management

Suppliers

Each year we buy around £2 billion worth of goods and services. Our suppliers are important to us and we want to ensure that we treat them fairly and pay them on time. Our supplier relationships are governed by a strict Code of Purchasing Ethics that defines the way we do business. We also have an established supplier review process that allows us to assess our suppliers' social, ethical and environmental performance as part of the tendering process.

Community

In addition to our financial contribution we recognise that it is in our long-term interest to help improve the social and commercial fabric of local communities where we operate. That is why we have one of the largest community investment programmes in the UK, valued at over £38.5 million in 2006.

Lloyds TSB Foundations

The majority of Lloyds TSB's charitable giving is channelled through the four Lloyds TSB Foundations, which cover England and Wales, Scotland, Northern Ireland and the Channel Islands. Their mission is to improve the lives of people in local communities, especially those who are disadvantaged.

Through their shares in the Lloyds TSB Group, the Lloyds TSB Foundations together receive one per cent of the Group's pre-tax profits, averaged over three years, in lieu of their shareholder dividend. Since they were originally established in 1986, the Foundations have received over £350 million to distribute to local community causes.

The Foundations recognise that their success as community and local funders depends on maintaining a presence in and actively engaging with communities. The England and Wales Foundation, for example, remains one of the few grant-makers with a significant regional presence and its regional structure enables the Foundation to respond directly and effectively to local needs.

Foundation funding supports charities working to meet social and community needs. The main grants programmes are designed to address essential community needs and in particular, to support small under funded charities. 38 per cent of the charities supported by the England and Wales Foundation in 2006 had a total income of £100,000 or less and 70 per cent had an income of £500,000 or less.

Employee Volunteering and Fundraising

In addition to the Foundations' support for local community causes, thousands of our employees volunteer to help in their communities, raise funds for the Group's Charity of the Year or make direct donations to charity using the UK's Give As You Earn system. In 2006, the Foundations provided matched funding for over 40,000 hours of time volunteered by Lloyds TSB employees to charities which meet the Foundations grant-giving criteria.

The Charity of the Year is chosen in an open ballot of staff. A team of Charity Champions across all parts of the Group leads the fundraising, inspiring and motivating their colleagues to organise and take part in events, sell pin badges and find new and innovative ways of raising money. In 2006 our staff raised over £1.83 million for Breast Cancer Care, the third year in a row that over £1 million has been raised for our chosen charity. Our staff have chosen Barnardo's as the charity of the year for 2007.

Local stakeholder engagement

Our interaction with communities through local opinion formers, community organisations, local authorities, as well as major local employers and the wider business community, is a critical platform for developing our brand and reputation with key stakeholder groups.

An estimated 20,000 Lloyds TSB employees are involved with these local stakeholder organisations in some form. For example, we employ around 1,500 school governors and hundreds of local councillors and magistrates. Much

is represented by personal volunteer activity but there is also significant interaction on behalf of the company or in time supported by the company.

Some of the relationships are based on operational issues – maintaining our ‘licence to operate’ as a local business. Others reflect local business development priorities – the development of business introducer networks or building profile in critical local markets, for example.

Supporting local stakeholder engagement was a key CR objective for 2006. Over the year we have undertaken both qualitative and quantitative research amongst local branch directors, senior business managers and Corporate Bank relationship directors. This has allowed us to develop a simple diagnostic tool for local managers to identify their own priorities, and a database of case studies illustrating the wealth of business best practice across the Group. We have also supported personal development activity in this area (see page 6).

Environment

Lloyds TSB first introduced a formal environmental policy in 1996 and was also one of the first UK banks to develop an environmental risk assessment system for all of our business lending.

Climate Change

The UK Government has stated its belief that climate change is the greatest long-term challenge facing the world today. Measures to tackle climate change will have potential implications for regulation, taxation and public policy and will carry both risks and opportunities for companies and the public.

In respect of our own direct environmental impacts, our immediate priority is to reduce our carbon emissions. We have introduced a 5-year carbon management programme, which, through a series of energy saving projects and other initiatives to reduce our carbon footprint. We have a target to reduce property related emissions and identified other opportunities in relation to waste reduction and business travel.

While our direct carbon intensity is relatively low compared to other industry sectors, we still need to fully understand the potential financial impact of climate change on others that we may lend to or invest in, so that we can manage the risks and identify business opportunities. We established a Group-wide Climate Forum, led by the deputy group chief executive,

to develop a holistic approach to managing climate related risks and opportunities.

Using 2002 as the baseline, we have set a target to reduce our CO₂ emissions by 30% by 2012. Having set this reduction target, we will offset those emissions we cannot reduce. This will make our operations carbon neutral.

Health & safety

We are committed to achieve the highest standards of safety for our employees, customers who visit our branches, and contractors who work on our sites. Our general statement of Group health and safety policy is on our website at

www.lloydstsb.com/corporate_responsibility.

New initiatives launched in 2006 included policy and guidance on the Working at Heights legislation and Occupational Road Risk covering all at-work driving activities across the Group. The Regulatory Reform Order dealing with fire safety in occupied buildings has been implemented for all Group premises.

Partnering with the Health and Safety Executive, our Lead Authority Partner and the Group’s main construction contractors provided an opportunity to host the first joint forum of its type held in the UK. The success of the event is reflected in the HSE taking the process forward into their 2007 strategic plan.

Further successes have been illustrated by the Group’s construction activities exceeding the Construction Industry Standard Key Performance Indicators for the fifth year running.

We contribute to the health and well-being of employees through our people and health and safety policies. For example, we offer guidance on healthy lifestyles and gym membership discount schemes. We have a code of practice – Assessing and Managing Stress – that outlines the causes and steps to take to reduce and minimise stress at work. A special internal website on healthcare and well-being offers guidance on managing stress.

Processes



Excellent organisations design and manage processes in order to fully satisfy and generate increasing value for all stakeholders. The processes are improved, as needed and communicated to stakeholders. The organisation's products and services are designed, developed and improved in line with customers' and stakeholders' current and future needs and expectations. Customers are advised about the responsible use of the products and services.

We want to build a great organisation, which is recognised for operating to high standards and is built on strong customer franchises. Treating our customers fairly is essential to helping us achieve that goal and is one of the ways in which we can develop competitive advantage. In simple terms, we aim to be fair, clear and straightforward in all our dealings with our customers.

The impact of technology and accessibility of information at a time when people have less and less time to make their own choices will drive an increased emphasis on trusted brands and trusted intermediaries. This is particularly true in an area as complex for consumers as financial services. These trends will have a major impact on the way businesses deliver their products and services and the importance customers attach to a business' brand and reputation.

Customer CR communication

By the end of 2006, the Group's refreshing of its brand positioning saw the development of our 'For the journey.....' concept. This underpins the long-standing commitment in our Group Code of Business Conduct (see www.lloydstsb.com/corporate_responsibility) to maintaining long-term relations with our customers and the premise that honesty and integrity in our dealings with customers are prerequisites for a sustained and successful relationship.

Our customer CR leaflet, 'honest, trustworthy.....who cares?' containing case studies of our commitment to various stakeholder groups, was available from branches throughout 2006 and by early 2007, nearly 200,000 had been distributed. This was in addition to wide range of customer information on products and services, key life-stage financial guidance, business

start-up and development, and regulatory advice such as the Banking Code.

Copies of our CR Review, Report and leaflet along with supplementary information on specific policies are also available on our website.

Accessibility

With over 2,000 branches, Lloyds TSB has one of the largest branch networks in the UK. Our partnership with the UK Post Office also allows our personal customers to use around 14,500 post offices. We have over a 25% market share of those people belonging to the lowest income groups. We have also been at the forefront of developing alternative forms of financial provision and support for those communities where mainstream financial services have traditionally been considered inappropriate or inaccessible.

We have simplified as far as possible, within our legal obligations, the identification and application processes for Lloyds TSB's Basic Bank Account. The Basic Bank Account is open to anyone over 18 years of age, regardless of credit rating, so long as they are not a declared bankrupt. By the end of 2006, over 400,000 accounts had been opened.

Product development

Our Customer Insight System (CInS) delivers a high quantity of high quality, relevant information into the hands of our staff to enable them to better meet and satisfy customer need. CInS enables us to tailor our service more appropriately for the customer and ensure that the customer recognises the relevance of any proactive contact by us. We can establish, for each customer, which product or service is most likely to be relevant to them. We can more accurately identify those

customers who will generate the majority of our business or those most likely to close or stop using their accounts. CInS allows us to recognise differences in people's income and lifestyles and offer products and services differentiated by the degree of active financial management required.

The Group process framework is underpinned by the use of continuous improvement processes such as Sigma and LEAN. Sigma is a measure of how well we meet customer expectations in terms of timescales or standards of service delivery. Each month we measure our performance against these expectations for nearly 90 per cent of the average 230-250 million customer transactions we undertake every month.

Whereas Sigma looks at the effectiveness of our processes, LEAN is concerned with improved efficiency. It focuses on those elements of our processes that add value for the customer and seeks to identify those that don't. By redeploying resources from unproductive to productive activity, we will add further value for both the customer and the business.

We can also identify examples of business development stimulated by CR or external stakeholder drivers where normal business value measures have been met by innovation in delivery.

Community finance

Community finance initiatives offer a range of loans covering diverse requirements from debt refinancing, to home improvements and business start-ups. We have supported a number of the early pilots with staff secondments and funding, using our expertise to develop appropriate processes. Lloyds TSB has also been involved in a wide range of projects on both a commercial and semi-commercial basis, providing capital for loan funds which are on-loaned to business start-ups, micro-businesses and social enterprises.

With our involvement in Change London, the Local Investment Fund, Bridges Community Ventures Fund, South Coast Money Line, South Hampshire Community

Banking Partnership, Lincolnshire Loan Fund, One London Limited, Wessex Development Fund, Prime, South West Investment Group, and Arrow Fund, around £10 million was committed to the sector in 2006. This is in addition to our normal commercial lending direct to small businesses in the most deprived areas.

South Coast Money Line (SCML) is a community development finance institution, providing a mix of unsecured personal and micro-enterprise loans, and home improvement loans which are secured. This year, SCML launched a financial capability initiative called 'Smart Money' to provide money and budgeting skills. SCML also provided a lead role in the development of a Community Banking Partnership for South Hampshire, in partnership with Portsmouth Housing Association and Lloyds TSB who are funding a project manager.

The SCML model of working in partnership to deliver a comprehensive financial inclusion project is also helping them become financially sustainable. Since commencing trading in May 2000, SCML has lent customers loans to the value of £2 million. For the financial year ending March 2007, SCML will generate sufficient income from interest and other contractual relations to cover up to 70% of its operating costs. These contracts are with housing associations, local authorities and Government. SCML now operates, either by directly delivering services or in partnership with sub-contractual arrangements, in Hampshire, Devon and Sussex. To improve their sustainability still further SCML is working with original funder Lloyds TSB and Community Finance Solutions from the University of Salford.

In 2006 we set up a Financial Inclusion Fund to finance research and development activities in promoting the long-term sustainability of community finance and enhance the commercial attractiveness of lending to the sector.

Responsible lending

We are committed to being a responsible lender. It is in our interest to help customers borrow only those amounts they can manage to repay. We have a responsible

2006 Corporate Responsibility Report

lending programme with internal management reporting and accountability. Our employees are trained to offer the necessary advice and support to help customers manage their borrowing. Our Customer Support Unit provides help for customers, who are in financial difficulties, to find an appropriate solution through effective budgeting or rescheduling their borrowing. We also support independent money advice networks including the Money Advice Trust and the Consumer Credit Counselling Service. Payments totalling more than £2.5 million were made in 2006.

We also believe in the importance of financial education. We have collaborated with the UK's Financial Services Authority (FSA) to lead the development and delivery of their Financial Capability in the Workplace programme.

Services for disabled customers

All of our new and refurbished premises are designed with the needs in mind of our disabled customers. All of our branches have been audited for compliance with the Disability Discrimination Act (DDA). We were the first major bank to provide comprehensive information on disabled access at each of the branches in the network and many of our ATMs, via the national Accessibility database, DirectEnquiries.com.

We provide a range of services for customers who are deaf or hard of hearing, including hearing induction loops in all of our branches, and British Sign Language interpreters can be provided free of charge through the Royal National Institute for Deaf People. Customers can use a fax to contact any branch and Typetalk is accepted on all telephone lines. We are the first financial services organisation to be awarded the RNID Chartermark for all our major customer-facing businesses as recognition of services to our deaf or hard of hearing customers.

Socially responsible investment

Scottish Widows Investment Partnership (SWIP) is one of the largest asset management companies in the UK. At the end of 2006, SWIP managed £101.7 billion worth of funds in total.

In addition to specialist ethical, environmental and SRI funds - totalling £413 million, as at 31st December 2006 - consideration of a company's social, ethical and environmental performance forms part of the research process for all funds. SWIP's policy on shareholder engagement can be found on www.swip.com

Customer satisfaction

We ask more than 2,500 personal and 2,000 business customers each month what they think of our service. We use the results to calculate our CARE Index, which is based on customer understanding, accessibility, responsibility and expertise. We also use 'mystery shoppers' to test the level of service across branches, telephony and internet banking.

Our Customer Insight Systems have facilitated the development of a single complaints process. Without a single source of customer information, it was often impossible to deal with complaints in a satisfactory timeframe at the point at which the original contact was received. Customer satisfaction deteriorates significantly, the longer it takes to satisfy a complaint.

As soon as possible after we receive a complaint, we make every effort to contact the customer and move the complaints-handling process forward. We have an agreed, standard timetable across the Group for handling customer complaints. It runs from the day the complaint is received, up to the day we send our full response to the customer and, where appropriate, make restitution.

People Results



Excellent organisations comprehensively measure and achieve outstanding results with respect to their people.

Perception

Engagement Index

| | Dec 2005 | Dec 2006 |
|------------------------------|----------|----------|
| Engagement Index | 73 | 74.5 |
| ISR UK Financial Sector Norm | 65 | 68 |
| ISR High Performance Norm | 71 | 75 |
| Response Rate | 67% | 70% |

The Employee Engagement Index is based on the results of a survey conducted quarterly, asking Lloyds TSB employees a series of questions which reflect both the drivers and outcomes of engagement. The data captures the percentage of total responses received which were favourable for each question, combined into a simple average overall score.

Performance

Women

| Women in management | 2004 | 2005 | 2006 |
|--------------------------------------|------|-------|------|
| Women in Management positions | 37% | 38.5% | 38% |
| Women in senior Management positions | 19% | 20.5% | 21% |

We want to increase the number of women in middle and senior management positions and continue to make progress. In 2006 we were placed in The Times Top 50 list of organisations 'Where Women Want to Work' for the wide range of initiatives we have in place to support our female staff. We were also ranked sixth in the female FTSE 100 for the proportion of women on our Board, and first in the new female FTSE index of women executives.

Ethnic minority employees

| Ethnic minority managers | 2004 | 2005 | 2006 |
|---------------------------------|------|------|------|
| Ethnic minority managers | 3.5% | 4.1% | 4.1% |
| Ethnic minority senior managers | 1.2% | 1.8% | 1.8% |

For the second year running, we were assessed first in Business in the Community's Race for Opportunity benchmarking report in 2006.

Disabled employees

1.5% of employees have identified themselves as having some form of disability.

Employers Forum on Disability to help inform and shape our disability work. In their most recent national benchmarking survey we were placed fourth out of around 600 employers.

The Group won an award for Excellence in Reasonable Adjustments for Disabled Employees from the disability charity RADAR.

Sexual equality

We work closely with Stonewall, and were placed 6th in their annual Workplace Equality Index and received an award for the most improved organisation in 2006.

Health & safety

| | 2004 | 2005 | 2006 |
|--|------|------|------|
| Absence from work 3+ days | 171 | 142 | 98 |
| Major injury | 47 | 37 | 27 |
| Fatality | 1 | 2 | 0 |
| Prescribed dangerous occurrences | 11 | 47 | 17 |
| Reportable diseases | 48 | 25 | 24 |
| Public taken to hospital from our premises | 71 | 52 | 6* |

*Accidents involving members of the public being taken to hospital have been reclassified to report only those incidents relating to the condition of the premises where the incident occurred.

Reductions have been seen in all types of reportable incidents across the Group.

Learning and development

The 2006 Learning and Development spend was £54 million. In addition to face-to-face training, the University for Lloyds TSB provides over 9,477 training days through Multi-media PCs. The University for Lloyds TSB Intranet site received over 1 million 'hits'; in 2006.

Work-life balance

By December 2006, over 34% of our workforce were working flexible hours.

Customer Results

Excellent organisations comprehensively measure and achieve outstanding results with respect to their customers.

Perception

Customer satisfaction

| | Dec 2005 | Dec 2006 |
|------------------------------------|----------|----------|
| Customer Service Index | 68.0% | 69.7% |
| Complaints resolved within 8 weeks | 86.0% | 94.8% |
| Service Quality Index | 4.02 | 4.30 |

The Customer Service Index is computed based on the results of a customer satisfaction survey performed monthly for Lloyds TSB by an external agency. Customers in each of six business units are asked to rate the service they receive on five bases – overall satisfaction, understanding of the customer's needs, accessibility of the service, and the responsiveness and expertise of the service provider. These scores are weighted to produce a Group score based on the proportion of total Group income each business unit represents.

The Service Quality Index is based on SIGMA, deriving its provenance from the manufacturing world, where it measures Defects per Million Opportunities (DPMO). For the Group's purposes, a 'defect' is registered whenever there is a failure to deliver a process or product within a certain time period or to the required standard. The Lloyds TSB DPMO score is measured for over 150 end-to-end processes across eight business units, covering in excess of eighty per cent of transactions by volume.

Lloyds TSB Corporate won Bank of the Year at The Real Finance/CBI The FDs' Excellence Awards in April 2006, for the second year running.

Lloyds TSB was awarded Readers' Digest 'most trusted bank' in 2006, for the sixth year.

MORI CSR Survey 2006

How seriously do you think Lloyds TSB takes its responsibility to society and the community?

| % | 2004 | 2005 | 2006 |
|-----------|------|------|------|
| Public | 33 | 37 | 33 |
| Customers | 53 | 55 | 51 |

All banks' Public results were down. Generally our competitors' positive scores fell and negative scores increased more sharply, leaving Lloyds TSB second in terms of net favourability amongst the major banks.

Performance

| At 31 December (statutory basis) | 2004 | 2005 | 2006 |
|----------------------------------|------------------|------------------|------------------|
| Total Assets | £284,422 million | £309,754 million | £343,598 million |
| Loans and advances to customers | £155,318 million | £174,944 million | £188,285 million |
| Customer accounts balances | £119,811 million | £131,070 million | £139,342 million |

Support for small businesses in deprived areas (poorest five percent defined by geography)

| At 31 December (statutory basis) | 2004 | 2005 | 2006 |
|----------------------------------|--------------|--------------|--------------|
| Loans & advances | £165 million | £206 million | £207 million |
| Customer account balances | £159 million | £339 million | £265 million |

Environment (indirect impacts)

In 2006, 691 cases were referred to our environmental helpline (693 in 2005):

The environmental helpline has a service level agreement to respond to all referrals within 48 hours of receipt. In 2006, 87% of referrals were responded to on the day of receipt and the remainder the following day.

Socially Responsible Investment (SRI) Fund performance

| | % 2006 Gross return | % 2006 Net return |
|--|------------------------|----------------------|
| Scottish Widows Environmental Investor | 23.78 | 21.32 |
| Scottish Widows Ethical | 20.99 | 19.97 |
| SWIP Pan-European SRI Equity | 18.96 | 15.82 |
| SWIP Global SRI | 3.11 | 1.16 |

The FTSE Allshare return in 2006 was 16.75%. The performance of the Global SRI fund was affected by adverse currency movements.

Society Results

Excellent organisations comprehensively measure and achieve outstanding results with respect to society

Perception

MORI CSR Survey 2006

How seriously do you think Lloyds TSB takes its responsibility to society and the community?

| % | 2004 | 2005 | 2006 |
|-----------------------|------|------|------|
| Public | 33 | 37 | 33 |
| Members of Parliament | 29 | 46 | 35 |

Although 11% down on 2005, our favourability score amongst MPs remains above average for the sector.

Business in the Community Corporate Responsibility Index

| Position 2005 | Score 2005 | Position 2006 | Score 2006 |
|---------------|------------|---------------|------------|
| 10= | 97% | PLATINUM | 97% |

Companies scoring in excess of 95% in BITC's Corporate Responsibility Index are awarded Platinum status and no longer included in the position table. A process for monitoring progress maintenance is under development.

Performance

Community Investment

| | Dec 2005 | Dec 2006 |
|------------------------------------|-------------|-------------|
| Total contribution | £37,050,000 | £38,552,000 |
| Estimated capture of total data | 95% | 95% |
| Type of giving | | |
| Cash | £33,850,000 | £34,852,000 |
| Estimated time | £2,300,000 | £2,600,000 |
| In kind | £400,000 | £500,000 |
| Management costs | £500,000 | £600,000 |
| Types of recipients | | |
| Charitable donations | £420,000 | £202,000 |
| Independent Lloyds TSB Foundations | £31,230,000 | £34,450,000 |
| Community investment | £5,400,000 | £3,900,000 |

£1.83 million was raised for our 2006 charity of the year, Breast Cancer Care.

Environment (direct impacts)

| Energy Consumption | 2002 Baseline | 2004 | 2005 | 2006 |
|--|------------------|-------|-------|-------|
| Electricity GWh | 369 | 358 | 337 | 351 |
| Gas GWh | 180 | 171 | 161 | 150 |
| Oil GWh | 13 | 9 | 7 | 6 |
| Total | 562 | 538 | 505 | 507 |
| Premises CO ₂ /m ² | 0.143 | 0.140 | 0.125 | 0.138 |

2006 has seen an overall increase in electricity consumption although a corresponding fall in gas and oil consumption has limited the overall increase. Following the transfer of the management of the C&G property portfolio to the Group's central property team in January 2006, poor utility billing and anomalies with estimated accounts had to be corrected. These have now been remedied but this will have contributed to the apparent rise in electricity consumption.

The introduction of our carbon management programme will allow us to take positive steps to reduce consumption.

| Business Travel | 2002 Baseline | 2004 | 2005 | 2006 |
|------------------------------------|------------------|------|------|------|
| Road (million km) | 97 | 106 | 103 | 93 |
| Rail (million km) | 24 | 41 | 45 | 35 |
| Air (million km) | 33 | 45 | 46 | 45 |
| Total | 154 | 192 | 194 | 174 |
| Travel CO ₂ /£m income) | 2.66 | 3.13 | 2.99 | 2.63 |

A 50% increase in audio-conferencing to 234,820 is now being reflected in reduced business mileage as internal meetings that would have required people to travel are now held over the telephone. Changes to rail travel policy introduced in 2006 have also had an effect. The reduction in business travel has also contributed significant cost savings.

We continue to explore opportunities to extend audio-conferencing and consider other alternatives such as web-conferencing.

| Tonnes CO ₂ | 2002 Baseline | 2004 | 2005 | 2006 |
|------------------------|------------------|---------|----------|----------|
| Property | 198,950 | 188,624 | 177,047 | 181,086 |
| Property renewable | n/a | (4,438) | (14,606) | (18,944) |
| Travel | 26,333 | 29,499 | 29,540 | 27,231 |
| Total | 225,283 | 213,685 | 191,981 | 189,373 |

In spite of the small increase in energy consumption, our total carbon footprint has fallen as a result of further renewable energy purchases and reduced business travel.

| Paper Consumption (tonnes) | 2002 Baseline | 2004 | 2005 | 2006 |
|----------------------------|------------------|--------|--------|--------|
| Virgin | 31,403 | 27,394 | 23,595 | 18,818 |
| Recycled | 1,175 | 2,420 | 3,519 | 3,568 |
| Total | 32,578 | 29,814 | 27,114 | 22,386 |
| %recycled | 4% | 8% | 13% | 16% |
| Normalised (tonnes/FTE) | 0.5 | 0.46 | 0.43 | 0.38 |

We continue to reduce overall paper consumption and increase the percentage of recycled paper used. 82% of the A4 copy paper used in internal printers and faxes is recycled. During 2006, a reduction in direct mail marketing has contributed to the saving. This could of course increase in future depending upon the marketing mix.

Our internet banking customers are offered the option to stop receiving paper statements and to date, over 900,000 customer accounts have taken up that offer.

| Waste (tonnes) | 2002 Baseline | 2004 | 2005 | 2006 |
|-------------------------|------------------|--------|--------|--------|
| Waste to Landfill | 19,1289 | 16,566 | 16,575 | 15,273 |
| Waste Recycled | 10,001 | 11,514 | 11,760 | 15,177 |
| Total Waste | 29,130 | 28,080 | 28,335 | 30,450 |
| % Recycled | 34% | 41% | 42% | 50% |
| Normalised (tonnes/FTE) | 0.44 | 0.42 | 0.43 | 0.51 |

Total waste has increased, largely due to our secure data storage provider disposing of documents that are no longer legally required to be retained. All of these documents are shredded in a secure environment and recycled.

Overall there has been a significant increase in the level of waste recycled while waste to landfill has reduced.

| 2006 Objective | Achieved | Comment |
|---|---------------|--|
| Reduce energy consumption in targeted buildings by 3GWh | Yes | Reductions in targeted buildings were achieved |
| 30% property related CO ₂ emissions reduction (from 2004 levels) to come from accredited renewable sources and other initiatives by 2010 | Yes | We continue to be above track to meet our 2010 target |
| Conduct an in depth study with The Carbon Trust, to develop a robust Carbon Management Programme. | Yes | Completed and a carbon management programme has been approved for introduction in 2007. The support of the Carbon Trust has been beneficial; providing an improved Group wide focus toward the management and engagement of climate change issues. |
| Conduct studies with furniture recycling companies to assess the feasibility of recycling used office furniture | Part achieved | We continue to assess opportunities to recycle more furniture. |
| Conduct a study to assess the feasibility of a national waste contract for Lloyds TSB | Yes | Feasibility study completed. Tenders for a national waste contract are now being assessed. |
| Continue to develop the environmental management systems for Dutton Forshaw and Remarketing | | Lloyds TSB Autolease and Vehicle Remarketing are progressing towards full ISO 14001 accreditation via the Green Dragon Standard. Dutton Forshaw will use the experience gained to help develop their own EMS. |
| Undertake full energy audits at a further 6 of our main buildings | Yes | Energy audits completed and the results contribute to our efforts to reduce emissions. |
| Increase the number of audio-conference meetings by 25% | Yes | Audio conference meetings increased by 50%, contributing to a significant decrease in car and rail mileage. |



Objectives for 2007

CO₂ emissions

- Reduce total CO₂ emissions by 30% by 2012 from 2002 baseline

Waste

- Increase recycling rates by 2% within large premises
- Continue to investigate the feasibility of recycling used office furniture

Water consumption

- Reduce water consumption to 7.5 cubic metres per capita by 2012

Environment Management System

- Continue to develop the EMS for Lloyds TSB Autolease and Vehicle Remarketing to attain ISO 14001 accreditation by the end of 2008

Environmental Verification Statement

RPS Group plc has interrogated the information included in the Environmental section of this report and is confident that it accurately reflects Lloyds TSB's current environmental performance and its achievements during 2006. This exercise has been undertaken through a series of interviews at corporate level, document review, data sampling and the interrogation of supporting databases throughout the year.

The reduction in travel and increased purchase of energy from renewable sources demonstrate the ongoing commitment to delivering environmental improvements within the Group's operations. The work undertaken by Carbon Trust on behalf of Lloyds TSB during 2006 has been well received. The aim should now be to implement a robust carbon management strategy that embraces all aspects of this fundamental issue.

Andrew Troup

March 2007

Executive Director

RPS Group plc

Business Results



Excellent organisations comprehensively measure and achieve outstanding results with respect to key elements of their policy and strategy.

Financial results (statutory)

| | 2004 | 2005 | 2006 |
|---|----------------|-----------------|-----------------|
| Profit before tax | £3,477 million | £3,820 million | £4,248 million |
| Total income | £9,661 million | £10,540 million | £11,104 million |
| Post tax return on average shareholder's equity | 22.8% | 25.6% | 26.6% |

Stakeholder commitments

| | 2006 |
|------------------------------------|----------------|
| Employees (salaries, NI, pensions) | £2,741 million |
| Government (tax) | £1,341 million |
| Community investment | £38.5 million |
| Shareholders (dividends) | £1,927 million |

Investor indices

| | Rating | Ranking |
|---------------------------------|--------|-----------------------------------|
| FTSE4Good | n/a | Component of index |
| Dow Jones Global Sustainability | | component World and STOXX indices |

Payment of Suppliers

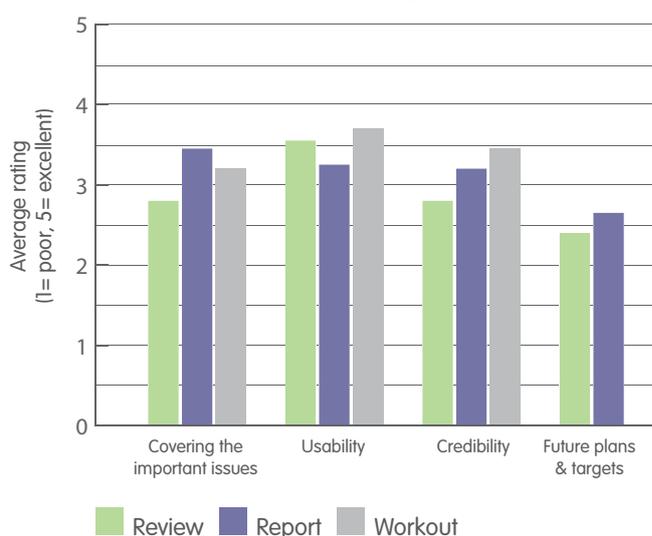
| | 2004 | 2005 | 2006 |
|--|--|--|--|
| Number of supplier payments | 360,257 | 379,613 | 344,422 |
| Value | £2.2 billion | £2.16 billion | £2.29 billion |
| Average time to pay | 28.02 days | 27.01 days | 29.72 |
| Number / amount of compensation payments for late settlement | 1 compensation payment totalling £25 for late settlement | No compensation payments for late settlement | No compensation payments for late settlement |

Assessment of suppliers' corporate responsibility performance

| | 2004 | 2005 | 2006 |
|------------------------------------|------|------|------|
| Total number of suppliers assessed | 103 | 68 | 108 |

Stakeholder dialogue results

Contact focus group (see page 2)
Feedback on 2006 CR reporting by publication



Recommendations of Reputation Inc study (see page 2)

Overall view on Lloyds TSB CR reputation

Strengths

Lloyds TSB is:

1. Good but not the best
2. Outstanding in workplace issues
3. Very good at managing relationships with NGOs and 'CR community'
4. Well regarded by ethical investors
5. Good at linking business and community activities

Areas for improvement

Lloyds TSB needs to:

6. Increase employee awareness of CR profile and better leverage employee engagement
7. Better integrate CR into line management from top down
8. Identify more opportunities to utilise the highly regarded work of the Lloyds TSB Foundations to reinforce the Group's commitment to local communities and its staff community involvement
9. Integrate CR more fully in key brand message
10. Increase reporting against forward looking targets

Assurance Statement

We have performed an independent assessment on the Lloyds TSB Report 2006 and the underlying structures, procedures and performance results .

We have based our approach on emerging best practices for self-assessment and Sustainability Reporting, including the EFQM framework for CR.

On a sample basis, we gathered and assessed evidence using the RADAR (Results, Approach, Deployment, Assessment and Review) methodology, which is based on the assessment of CR Report key elements.

This work included an independent assessment through interviews, and the collection and validation of sample quantitative data for 2006, reflected in the Report.

We believe that our work provides an appropriate basis for our general conclusions:

- The Lloyds TSB 2006 CR Report provides a balanced representation of CR initiatives and performance information, in accordance with its corporate strategy;
- Lloyds TSB has applied an effective CR management System to respond to key CR aspects, including Stakeholder engagement, environmental and social initiatives and CR performance measures, which affect corporate results;
- Lloyds TSB has recently adopted a comprehensive policy for tackling climate change based on appropriate environmental indicators;
- Lloyds TSB has initiated large-scale programs to improve its CR status based on the annual self-assessment findings at all corporate levels. While the majority of the programmes have been fulfilled, some are still in progress;
- Lloyds TSB has developed a CR strategy based on a broad range of indicators; however target setting is not presented in some of them;
- the majority of key performance indicators shown in the Report had positive trends, although there were a few areas with negative or neutral trends that need further attention.

London, March 2007

Nikos Avlonas
CSE Executive Director
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We want to hear from you

We appreciate any feedback – good or bad. You can email us at corporate.responsibility@lloydstsb.co.uk or write to us at:

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