

NEWS RELEASE

For Immediate Release

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SCOTTISH WIDOWS BANK POST RECORD HALF-YEAR PROFITS

- **26% RISE in pre-tax PROFITS**
- **Net MORTGAGE GROWTH for the half-year of £564million - 12% GROWTH on 2005 year end balances**
- **£216 million Deposit GROWTH**

Scottish Widows Bank, the telephone-based mortgage and deposits bank, today announced record financial performance for the first half of 2006, building further on the success of previous years. Profit before tax for the half-year was £13.5 million (unaudited), compared with £10.7 million for the same period last year, a rise of 26%.

Mortgage lending grew by £564 million over the six months to £5.1 billion, an increase of 12% on 2005 year-end balances. During the same period, net deposit growth was £216 million (9% growth) with total retail deposits increasing to £2.7 billion.

Graeme Hartop, Managing Director of Scottish Widows Bank plc, said: "This is the most profitable first half-year return in Scottish Widows Bank's history, with continued significant increases in mortgage lending and deposit growth.

"Our cost-to-income ratio for the six-month period was 42%, compared with 48% for the same period last year. Credit quality also remains excellent, with arrears levels approximately one sixth of the industry average.

"The underlying strategy of providing consistently competitive products from a low cost base continues to drive success. Our strategic positioning and range of innovative niche products have served us well in the intermediary and affinity partnership markets."

YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR OTHER LOAN SECURED ON IT.

Hartop concluded: "I am delighted with the progress made and the increased financial contribution to the Group."

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