



Kent Atkinson
Group Finance Director

2000 Results
16 February 2001





PROFIT BEFORE TAX

	1999 £m	2000 £m	Increase %
Business as usual operating profit	3,821	4,246	11
Short-term fluctuations in investment returns	28	(119)	
Changes in economic assumptions	-	127	
Exceptional restructuring costs	-	(188)	
Pension provisions	(102)	(100)	
Stakeholder pension related charge	-	(80)	
Loss on sale and closure of businesses	(126)	-	
Statutory profit before tax	3,621	3,886	7



SHORT-TERM FLUCTUATIONS IN INVESTMENT RETURNS

<u>Investment returns</u>	<u>2000 £m</u>
Normalised earnings on £4.7bn estate (based on 8.0% return on equities and 5.25% return on gilts)	272
Actual earnings	153
Short-term fluctuations in investment returns	(119)



SCOTTISH WIDOWS - P&L IMPACT

March - December 2000

	<u>Reported</u> <u>£m</u>	<u>Adjustments</u> <u>£m</u>	<u>Adjusted</u> <u>£m</u>
Net interest income	23		23
Funding cost	(258)		(258)
	(235)	-	(235)
Other income	317	109	426
Total income	82	109	191
Operating expenses	105	(59)	46
(Loss)Profit before tax	(23)	168	145

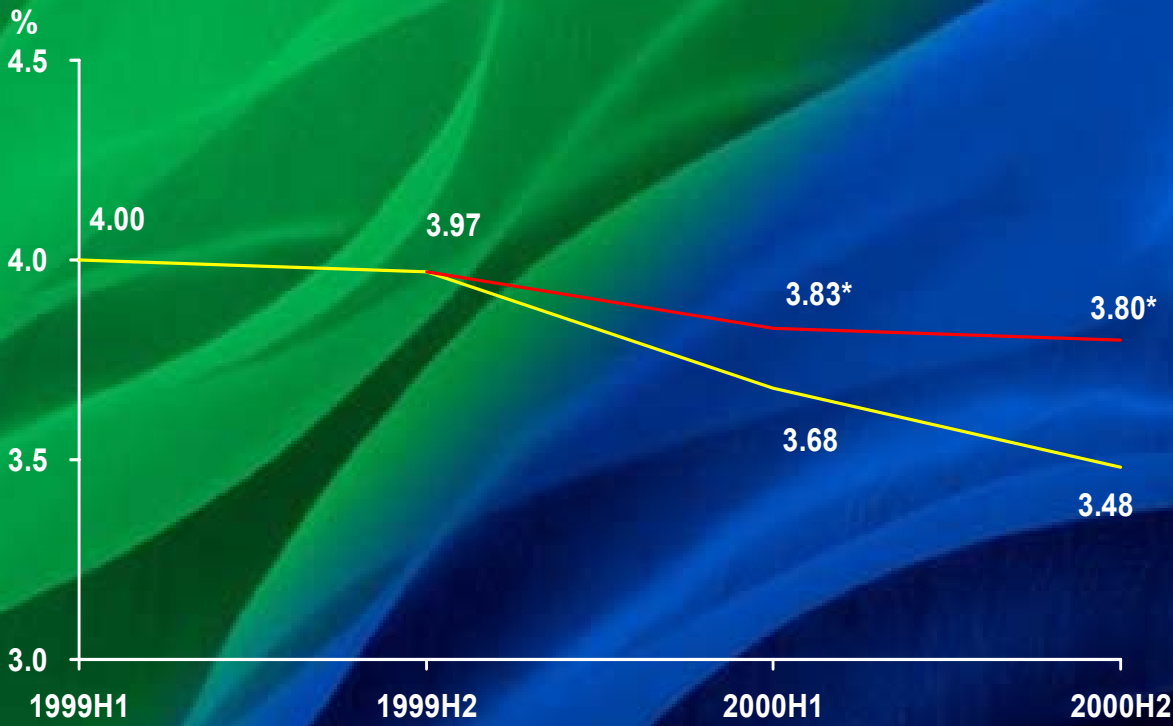


SCOTTISH WIDOWS - IMPACT ON GROUP MARGIN

	2000 Net Interest Income £m	2000 Net Interest Margin %	1999 Net Interest Margin %
Group	4,587	3.49	3.86
Scottish Widows Bank	(23)	-	-
Funding cost of Scottish Widows	258	0.20	-
Group excluding Scottish Widows	4,822	3.69	3.86



DOMESTIC NET INTEREST MARGIN



*excluding Scottish Widows funding cost



CHARGE FOR BAD AND DOUBTFUL DEBTS

	2000	Average	% of Average	
	£m	Lending	1999	2000
		£bn		
UK Retail Banking	345	15.2	2.94	2.27
Mortgages	(13)	50.1	(0.01)	(0.03)
Wholesale Markets	94	29.3	0.27	0.32
Total domestic	426	94.6	0.57	0.45
International Banking	49	15.5	0.60	0.32
Total charge	475	110.1	0.57	0.43



PROFIT BEFORE TAX BY MAIN BUSINESS

	1999	2000	Increase
	£m	£m	%
UK Retail Banking	789	817	4
Mortgages	868	865	
Insurance and Investments	873	1,447	66
UK Retail Financial Services	2,530	3,129	24
Wholesale Markets	728	749	3
International Banking	444	501	13
Central group items	119	(133)	
Business as usual operating profit	3,821	4,246	11



INVESTING TO IMPROVE EFFICIENCY – RESTRUCTURING COSTS: COST/BENEFIT

	2000 £m	2001 £m	2002 £m	2003 £m	2004 £m
Investment costs	(188)	(200)	(130)	(60)	-
Benefits, annualised	38	75	145	320	410

Average payback period for these investments is three years



INVESTING TO IMPROVE EFFICIENCY – GROUP EFFICIENCY PROGRAMME

- **Centralisation of computer operations**
- **Consolidation of large scale processing operations and support functions**
- **Further streamlining of the branch network and expansion of lower cost delivery channels**
- **The further reduction of purchasing costs**
- **The rationalisation of non–personal banking activities**



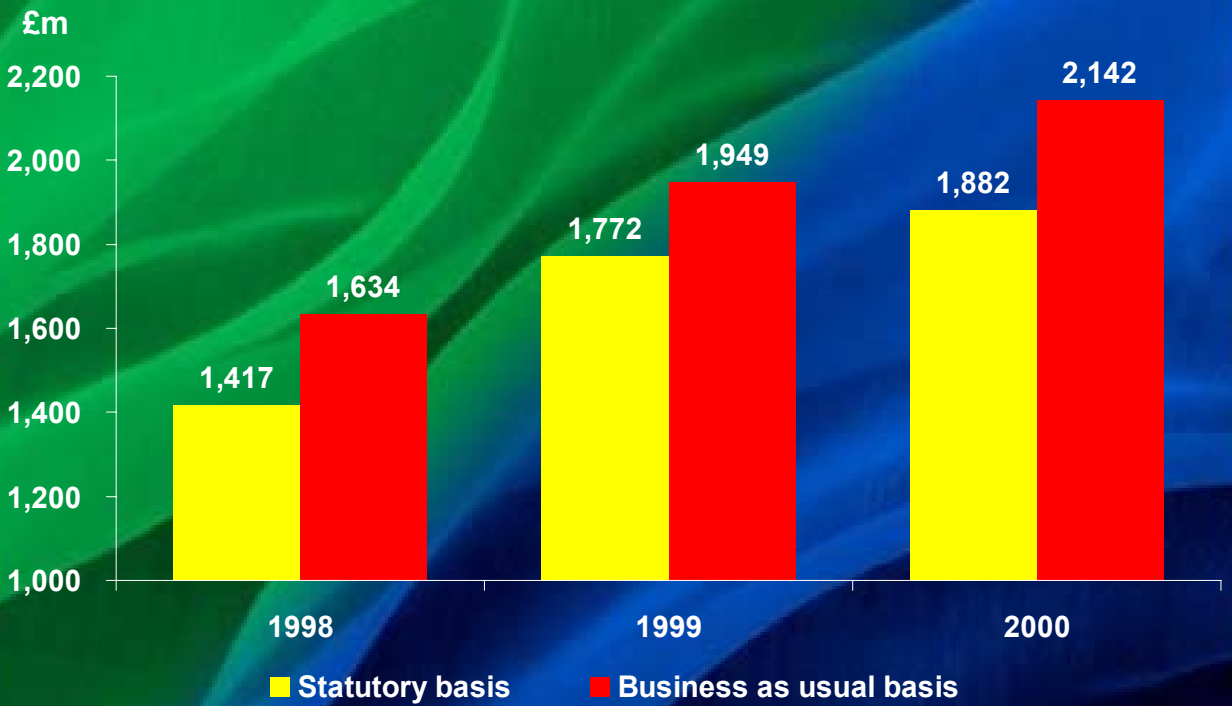
RATIOS TO AVERAGE RISK-WEIGHTED ASSETS*

	1998	1999	2000
	%	%	%
Net interest income	5.51	5.74	5.19
Other income	3.90	3.86	4.59
Total income	9.41	9.60	9.78
Operating expenses	4.34	4.10	4.26
Trading surplus	5.07	5.50	5.52
General insurance claims	0.19	0.20	0.16
Provisions for bad and doubtful debts	0.68	0.71	0.55
Profit before tax	4.20	4.59	4.81
Average risk-weighted assets (£bn)	79.8	83.3	88.3

* business as usual basis



ECONOMIC PROFIT





Lloyds TSB

Delivering Value to Shareholders



This document has been issued by Lloyds TSB Group plc ("Lloyds TSB"). The contents of this document have been approved by Lloyds TSB Bank plc for the purposes of section 57 of the Financial Services Act 1986. Lloyds TSB Bank plc is regulated in the United Kingdom by the Personal Investment Authority and IMRO.