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Lloyds TSB Group

Five key messages

1 We have underperformed



1 Strategic change of direction for Group

2 Markets will not get any easier



2 To grow we must leverage our assets to take share

3 We have underexploited opportunities



3 Business strategy will focus on franchise

4 We have not executed



4 New operating model to increase effectiveness

5 Not easy or quick

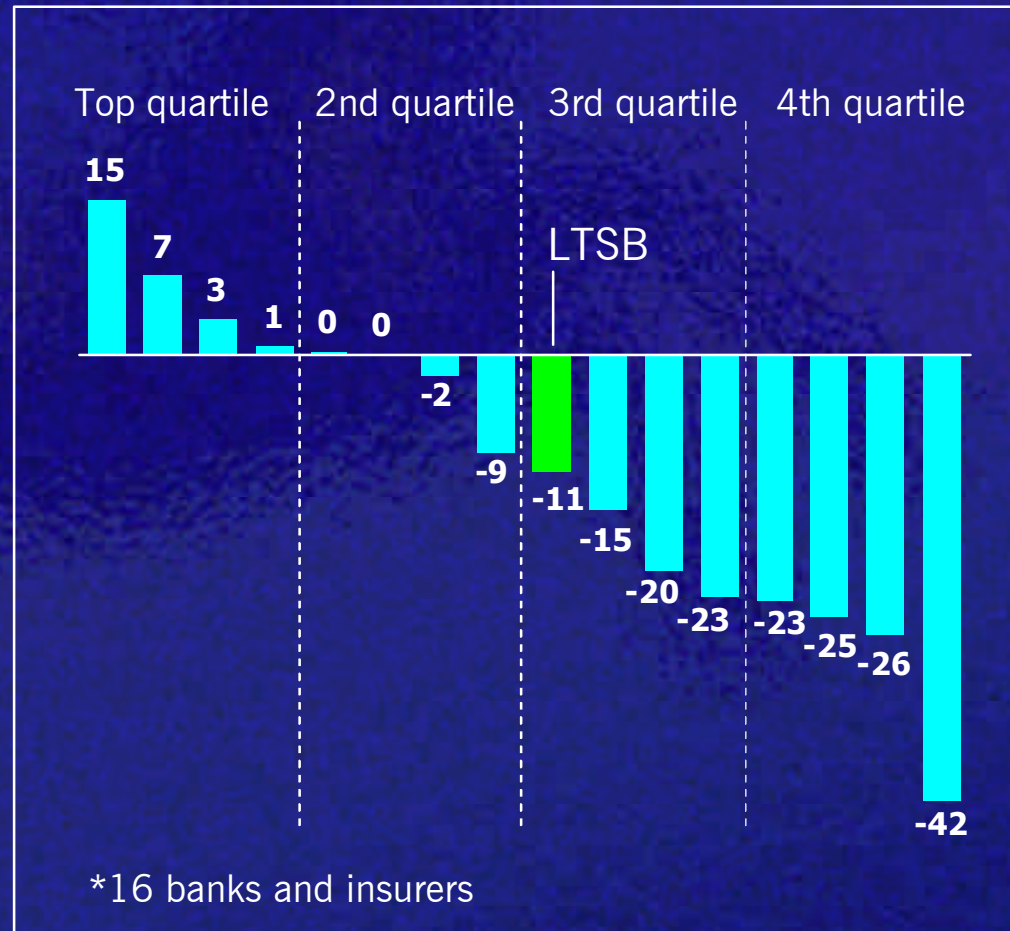


5 Early results by second half 2004

Our TSR performance reflects our recent profit record

- Our profit growth has underperformed our peers in recent years
- Investors have low expectations for our future profit growth

Annual total shareholder return of peer group*, end 2000 - present

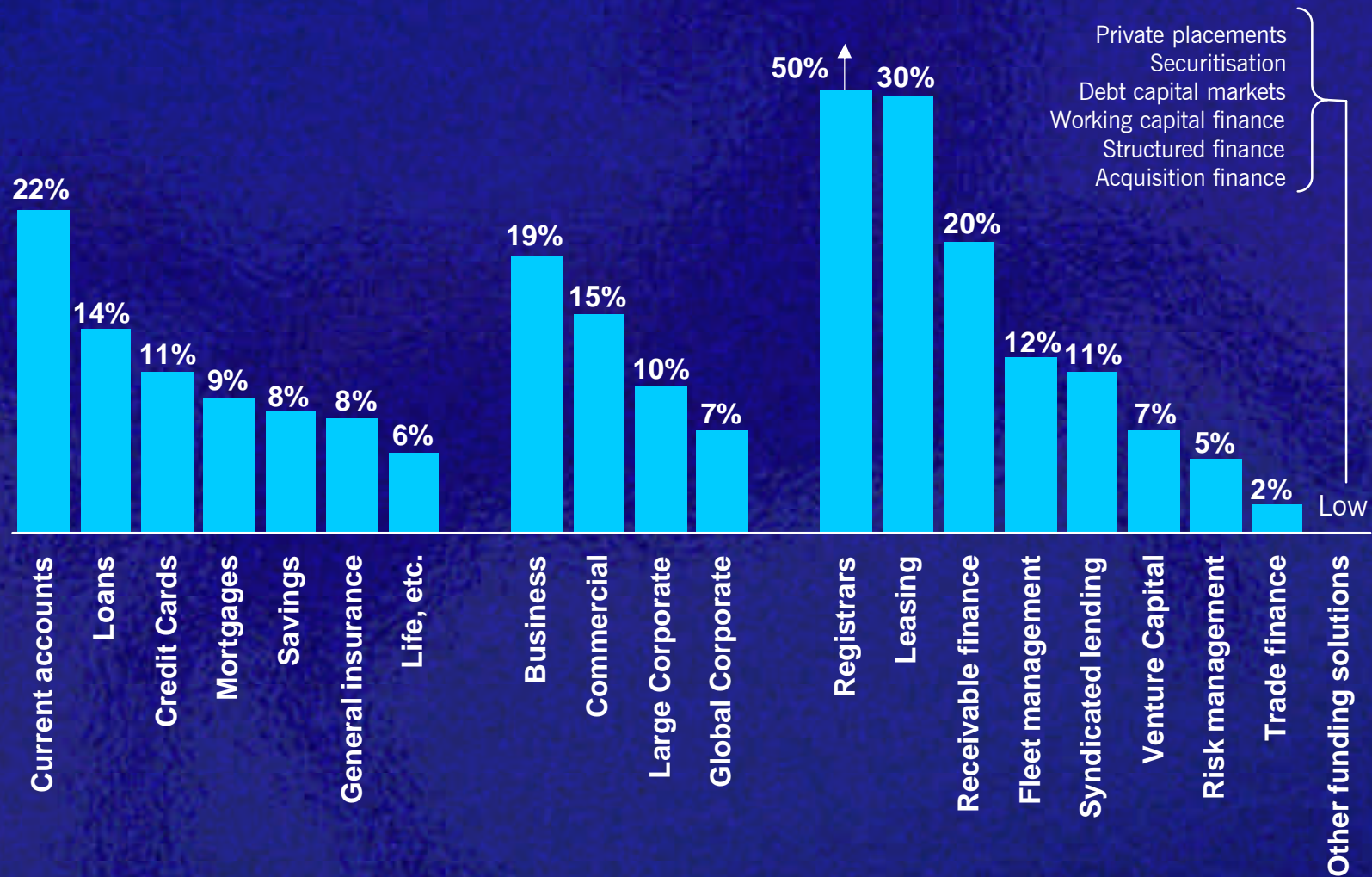


Our market environment will remain tough

- Modest economic recovery
- High household and corporate debt
- Slowing retail banking demand, but upturn in wholesale
- Changing customer expectations and needs
- Aggressive product competition
- Regulatory change - FSA, Basel 2
- Declining margins

We have opportunities to better exploit our franchise

Market shares by main customer and product groups



We are reorganising to build competitive advantage

Our past model

Centralised control

Vertically integrated

Product focused

Unclear advantage in products

Inefficient allocation of resources

Our future model

Individual business control & accountability for performance

Separation of Manufacturing and Distribution

Customer focused

Best-in-class product monolines

Efficient allocation of resources

Three divisions, three stories

- UKRB - maintain momentum
- W&IB - build momentum
- I&I - recover

Even the best strategies can fail in execution

- There are opportunities to execute better, e.g.:
 - Scottish Widows branch sales
 - Misselling
 - Wealth management
 - Wholesale pull through & penetration
- My goal - building advantage in execution
 - The right management team
 - Clear accountability for delivery
 - Strong linkage between strategy, performance measurement and reward

Better execution - what has been done to date

■ Made key management changes

- More than half of top 32 new to the Group or to their posts

■ Given MDs control of all drivers of their business

- With full accountability for performance

■ Regular dialogue between Centre and Businesses

- Focus on strategy, execution and use of capital

■ Reformed performance management processes

- Performance contracts directly linked to strategy, and pay to performance

We know that better execution delivers better performance

Example: LTSB Scotland

- New Chief Executive appointed in 2000
- Remit to reinvigorate business, with clear accountability and control
- Customer service 'Care' rating increased to 16 percentage points above the Group average
- Improving asset quality ratio
- Contribution before tax increased by 49% in 2 years

Example: Credit Cards

- New Director appointed in 2000
- Remit to turn round business performance, with clear accountability and control
- Interest bearing balances up by 21% CAGR
- Market share of balances up from 9% to 11%
- Steady asset quality ratio
- Contribution before tax increased by 25% CAGR

Better execution is about understanding and managing risk

Actions taken to reduce unnecessary risk

- Hedged part of equities risk
- New Scottish Widows products to reduce future equities exposure
- Eliminated EMD exposure
- Reducing exposure to non-core businesses

Actions taken to better anticipate future risk

- New risk governance framework
- Increased business accountability for risk
- Improved understanding of business risk with new economic capital model and Basel 2 preparation
- Strengthened risk management, data and MIS within all Divisions

How we will measure success

Best measure of current performance

- Economic profit growth
- Cost following revenues

Best indicators of future performance

- Franchise growth and depth
 - Share of customer relationships
 - EP per customer
- Customer service
 - Care index

- Risk management
 - Provisions, % of group income
- People and productivity
 - Work climate index
 - EP per employee

Two phases

Phase 1

- Primary focus on building competitive advantage in our core business
 - Eliminating unnecessary risk
 - Investing in distinctive assets and competencies to build and deepen franchise
 - Building execution advantage

Phase 2

- Primary focus on expanding from a platform of strength
 - Organic growth gathering momentum
 - Leveraging our distinctive assets and competencies in new markets

Early results in second-half 2004

Lloyds TSB Group

Focus on value

- The objective – build strong customer franchise
- The guiding principle – economic profit growth
- The result - top quartile TSR



- Our plan, barring the unforeseen:

- Growth
- Acceptable capital ratios
- Improving dividend cover

Summary

- 3 divisions, 3 stories
 - UKRB - maintain momentum
 - W&IB - build momentum
 - I&I - recover

- 5 key messages
 - Strategic change of direction for Group
 - To grow we must leverage our assets to take share
 - Business strategy will focus on franchise
 - New operating model to transform execution
 - Early results by second half 2004

Forward looking statements

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