
Merrill Lynch Banking & Insurance Conference 2004

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Lloyds TSB Group

Management priorities

- To manage business portfolio and reduce earnings volatility
- To maintain and build levels of profitability
- To accelerate profitable growth

Manage the business portfolio

Business disposals are helping us to focus on our core franchise and reduce earnings volatility

- Sale of Panama and Guatemala completed
- Sale of Argentina and Colombia announced



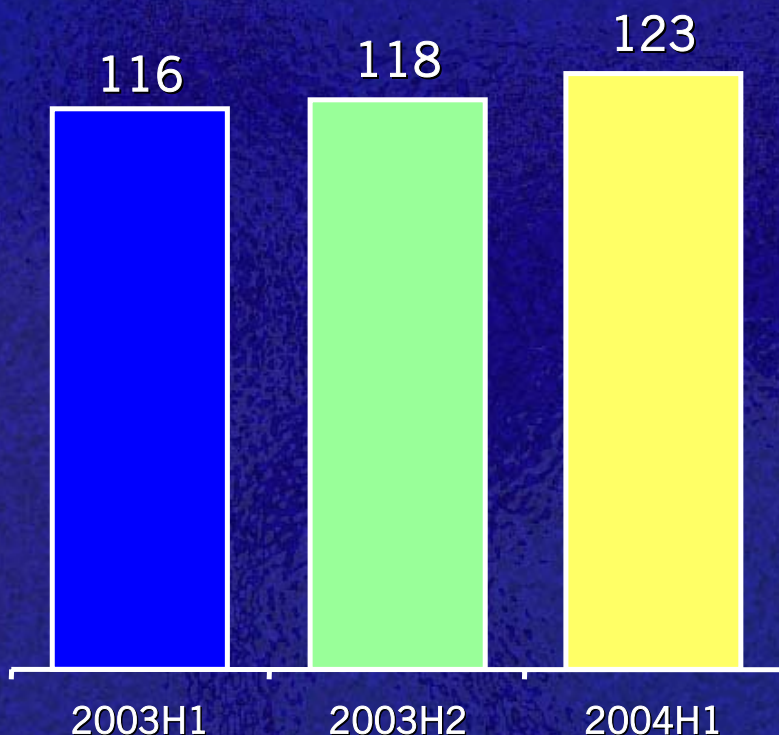
1999-2003:

- Average return on equity: (28.6)%
- Combined losses of £220m

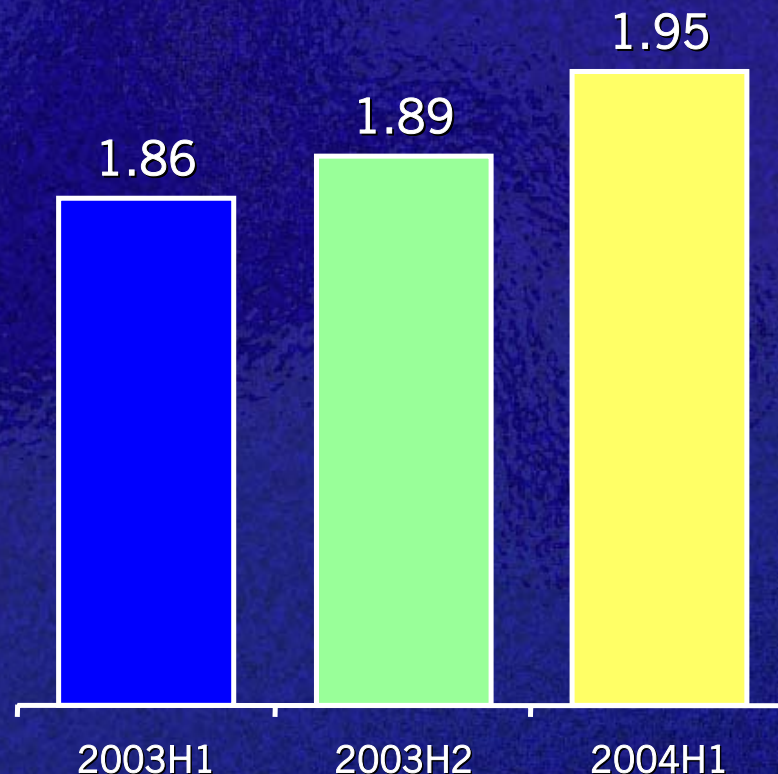
Maintain and build profitability

We are managing the balance sheet more efficiently

Risk-weighted Assets* (£bn)



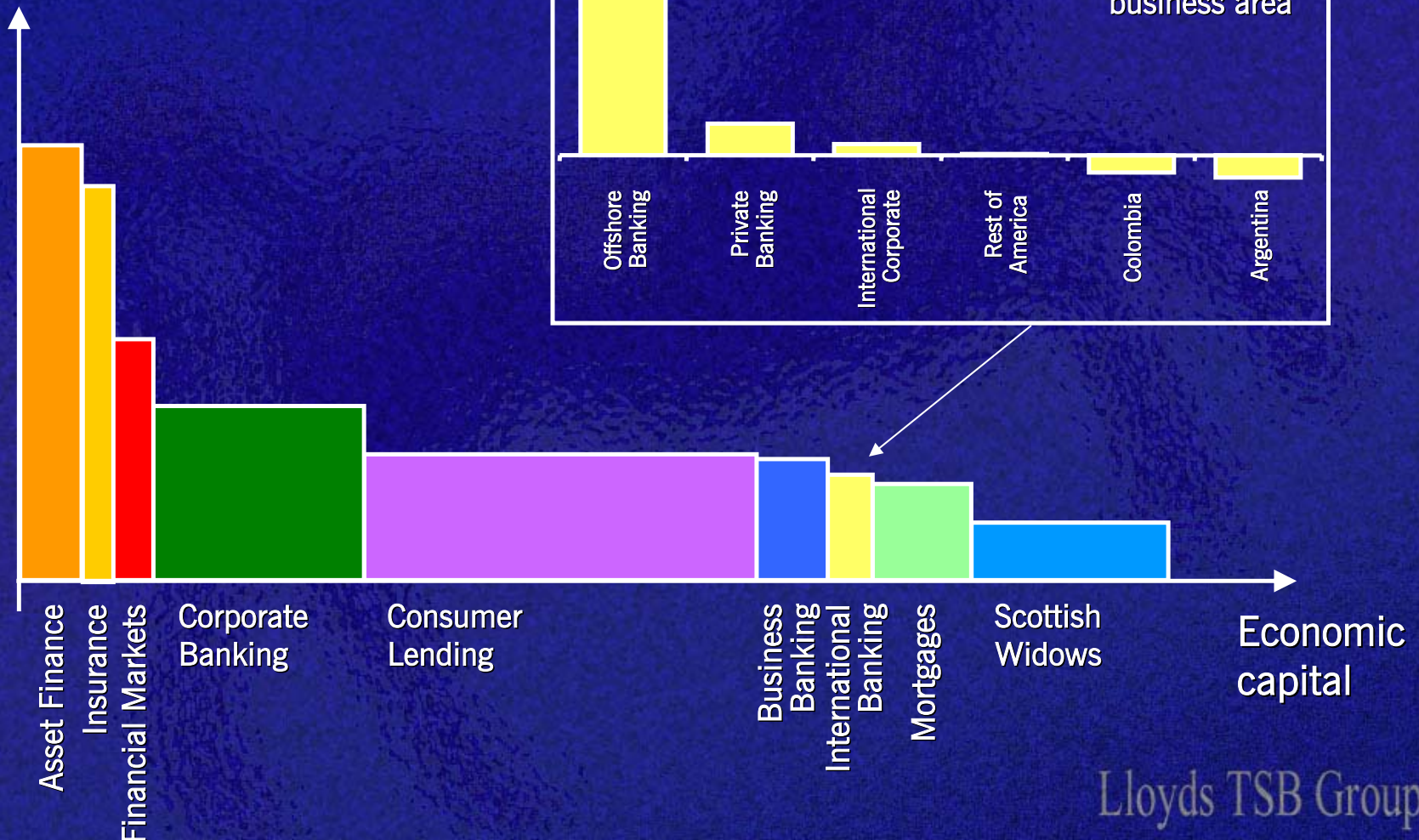
Return on Average
Risk-weighted Assets*



* continuing operations, excluding investment variance, changes in economic assumptions and loss on sale of businesses

Maintain and build profitability

Economic profitability by business (RAROC minus Ke)

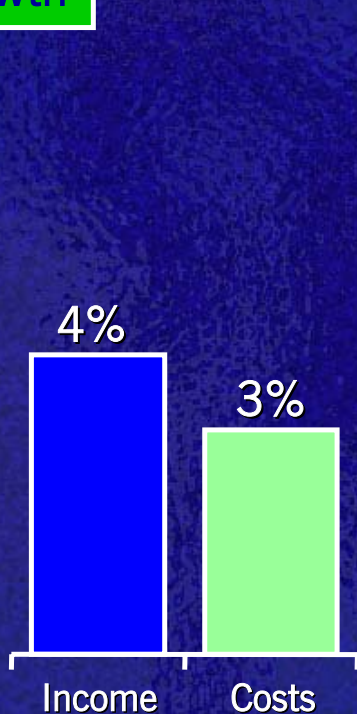


Income growth ahead of costs*

UK Retail Banking

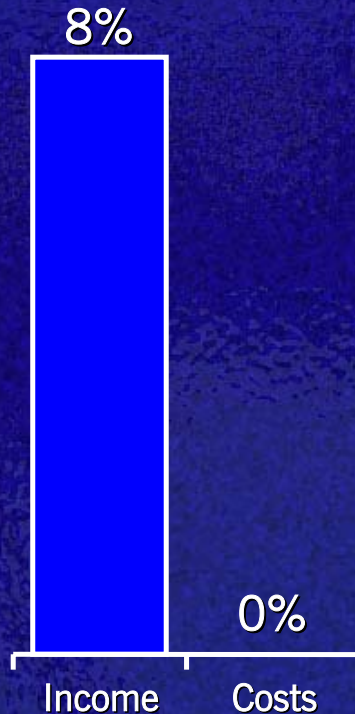
Trading Surplus Growth

6%



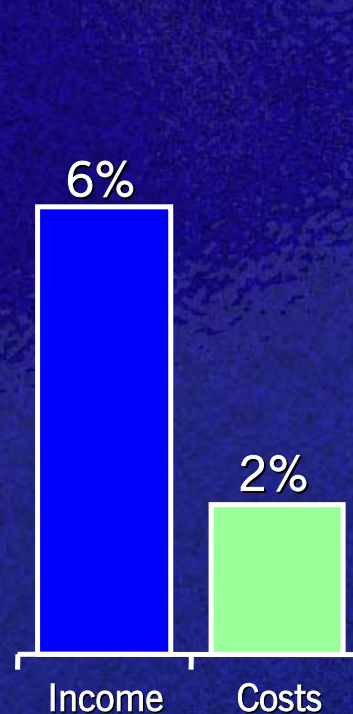
Insurance & Investments

10%



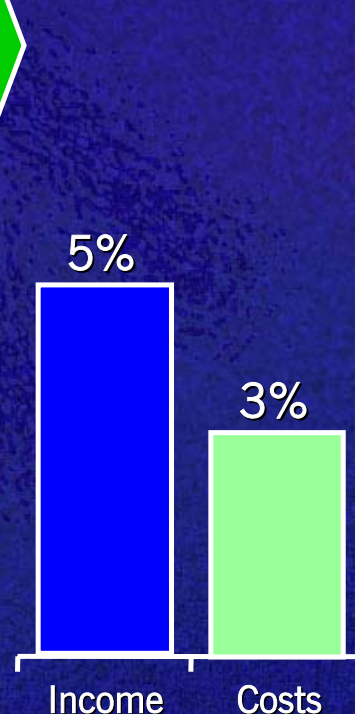
Wholesale & International Banking

12%



Group†

6%



* continuing operations, excluding investment variance, changes in economic assumptions, loss on sale of businesses, customer redress provisions, the sale of EMD bonds/forex closures

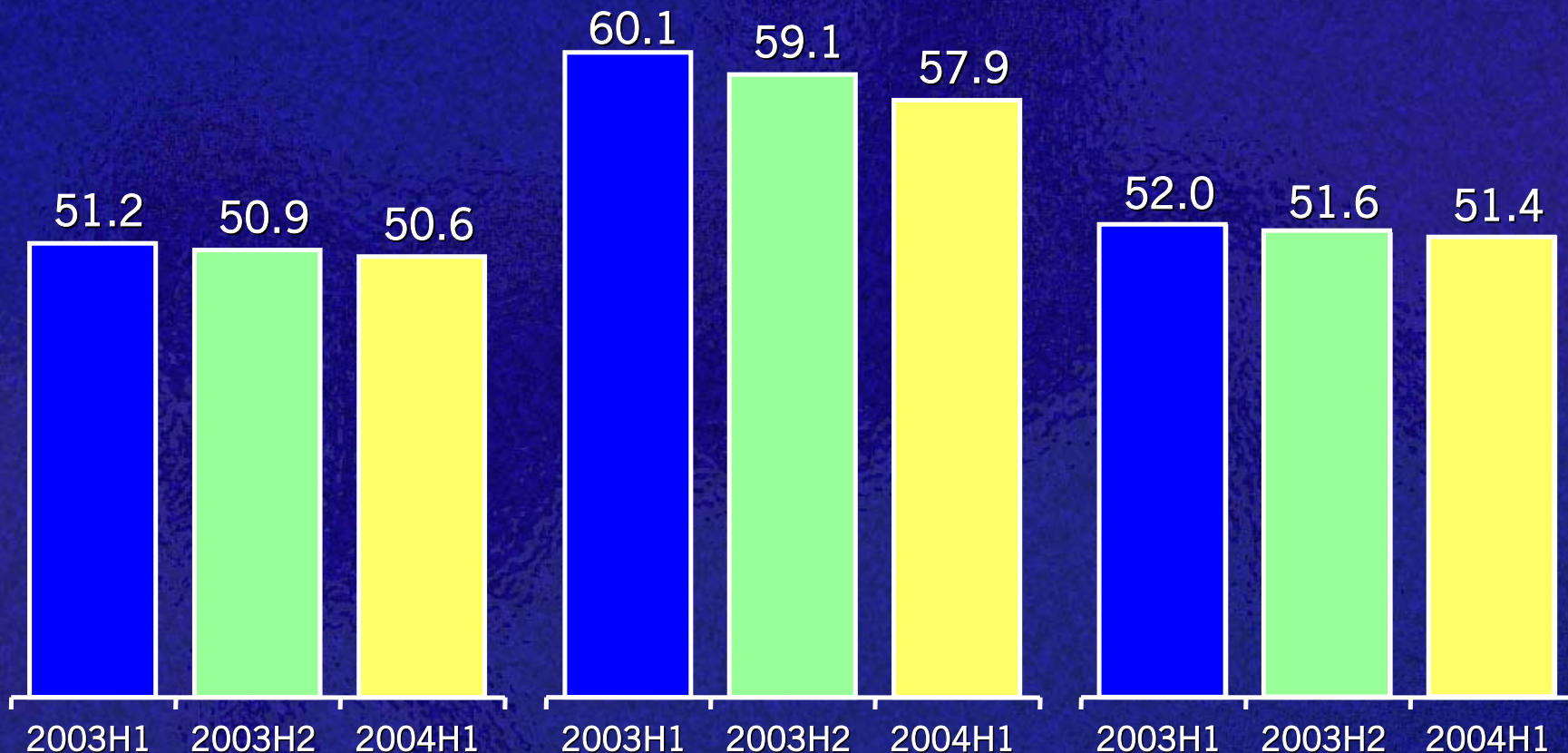
† also includes notional interest earned on sale proceeds of businesses sold in 2003

Cost:income ratio improvements*

UK Retail Banking (%)

Wholesale & International (%)

Group† (%)



* continuing operations, excluding investment variance, changes in economic assumptions, (loss) profit on sale of businesses, customer redress provisions, the sale of EMD bonds/forex closures

Lloyds TSB Group

Accelerating profitable growth

Our strategic focus

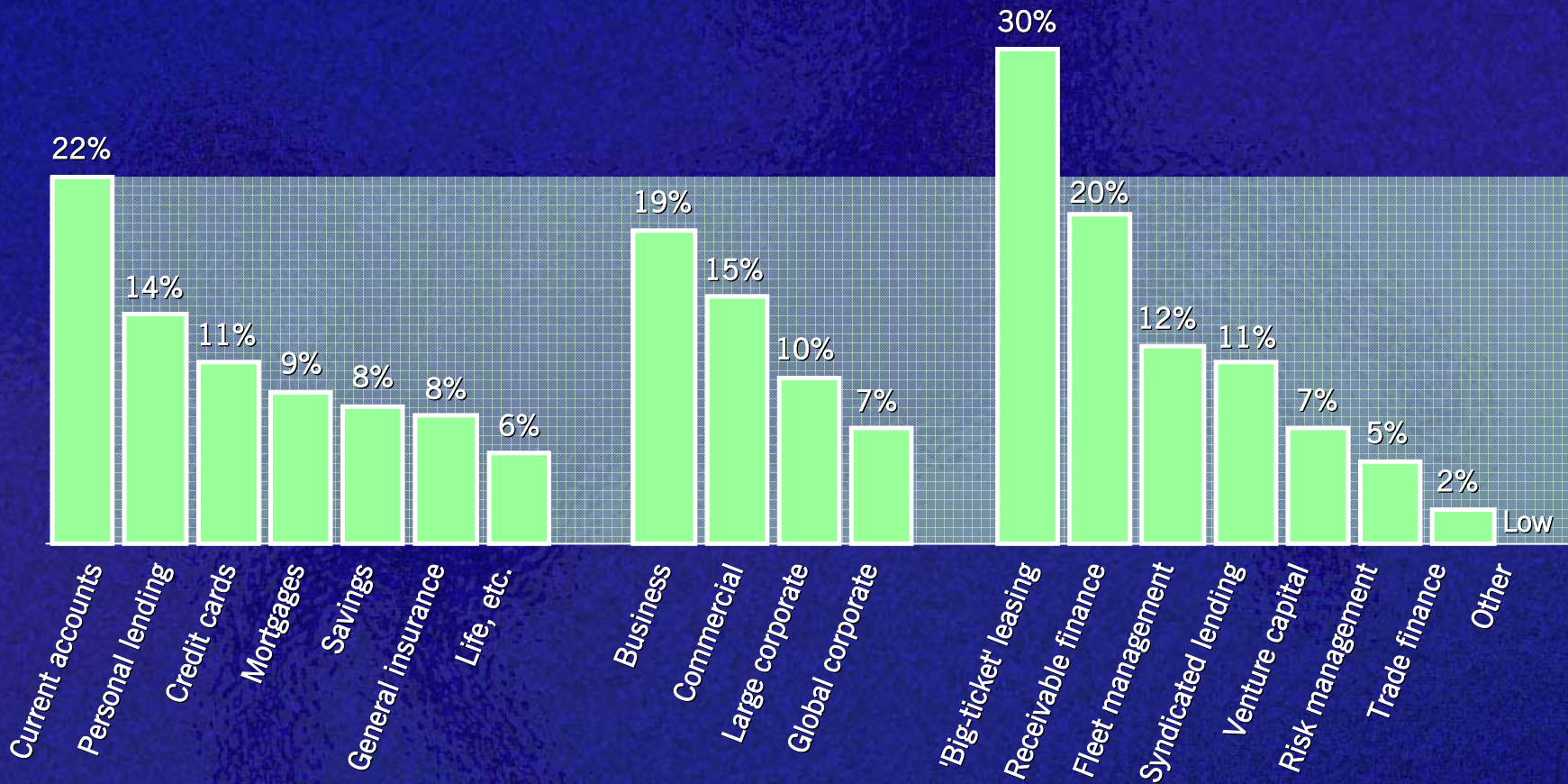
Product
Focus



Customer
Focus

Accelerating profitable growth

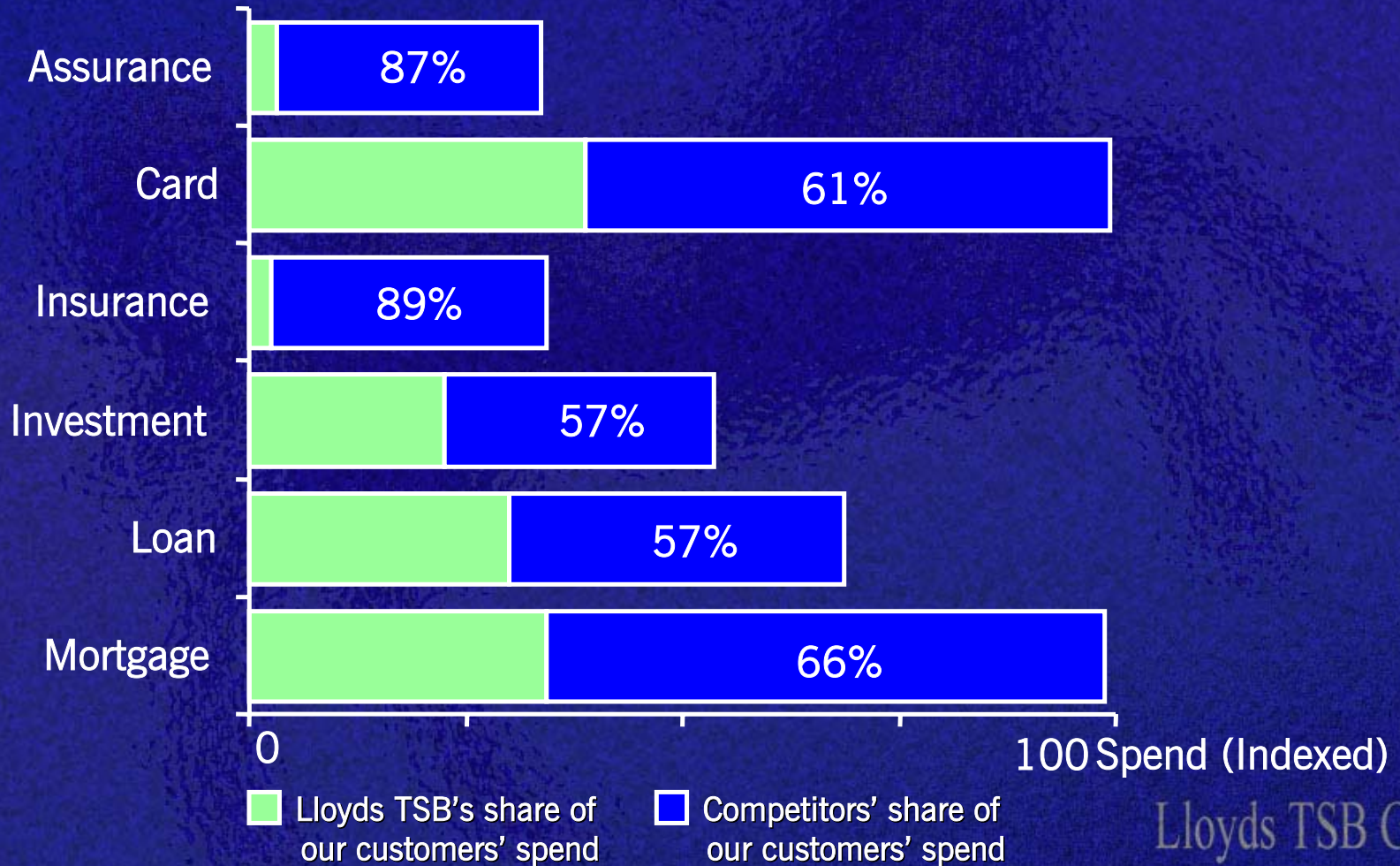
Our franchise opportunity



Source: BBA/Internal data (October 2003)

UK Retail Bank – growth potential

Our current account customers spend twice as much on our competitors' products than our own



Maintaining momentum in the retail bank

Our objectives

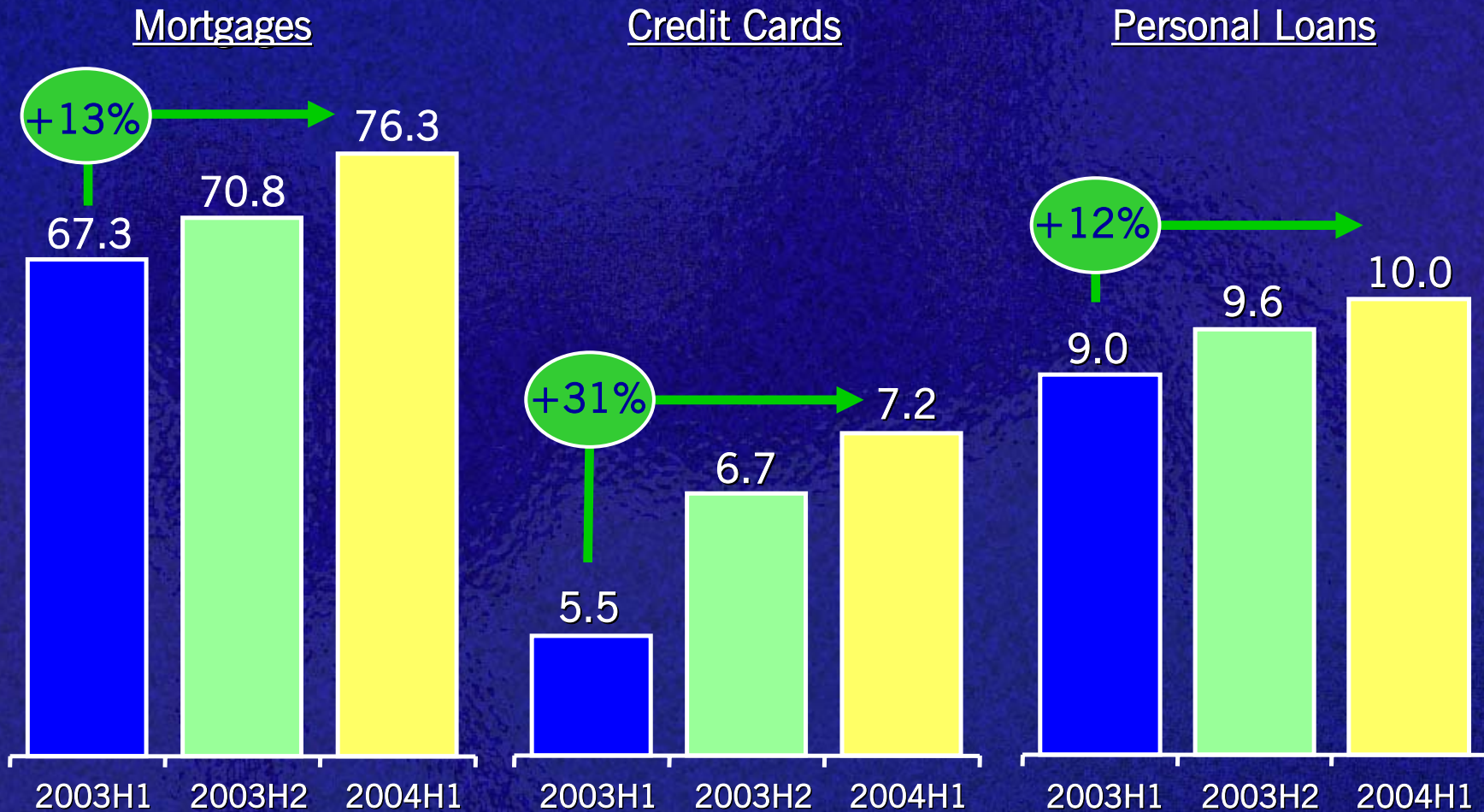
- Acquire and retain quality customers
- Deepen customer relationships
- Grow economic profit faster than the market

What have we done

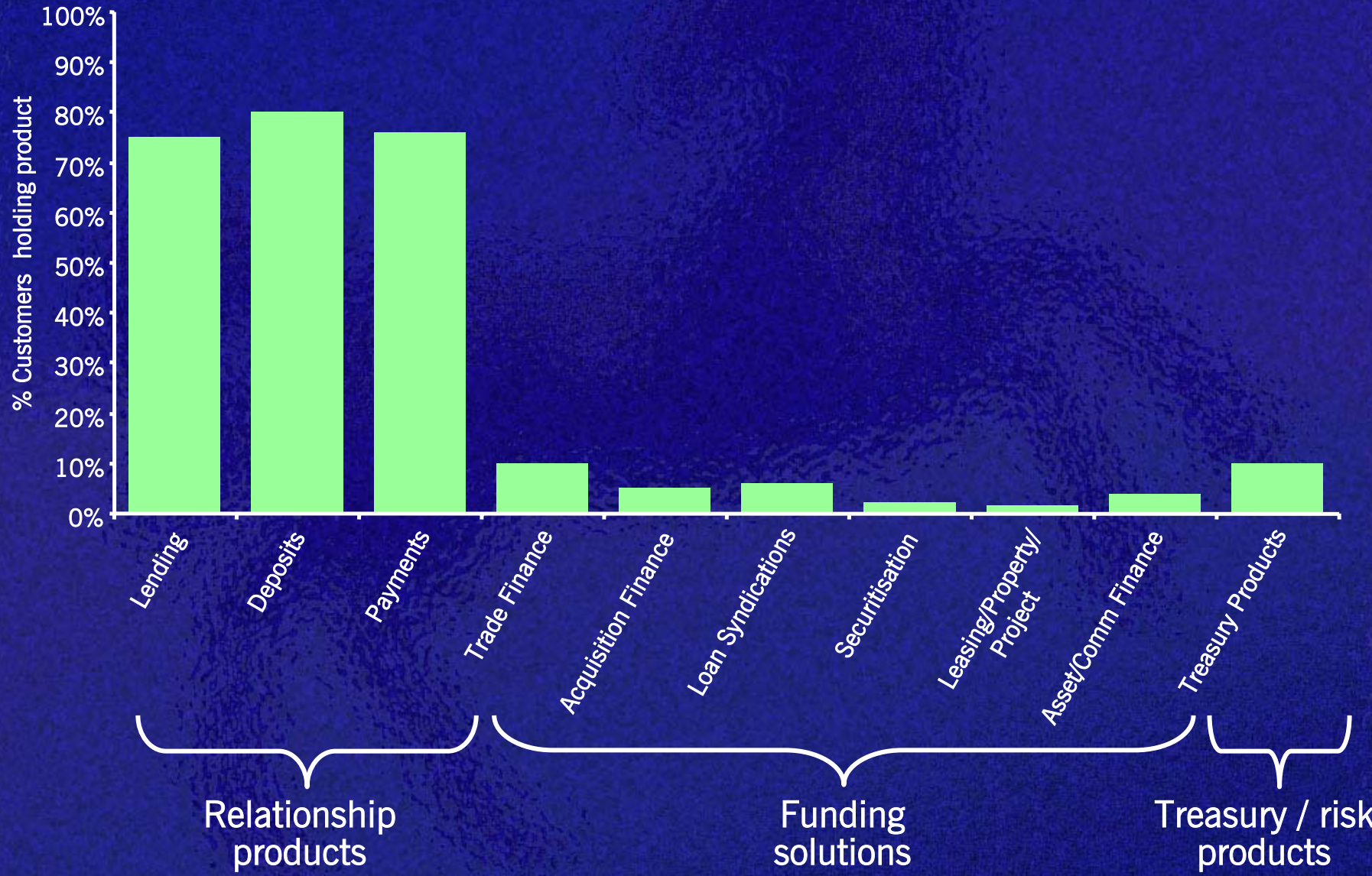
- Reorganised branch network
- Made each local market profit accountable
- Rolled out segmented customer offers
- Recalibrated branch scorecard

UK Retail Banking growth

Period-end balances £m



Wholesale Banking – the opportunity



Building Wholesale Banking momentum

Our objectives

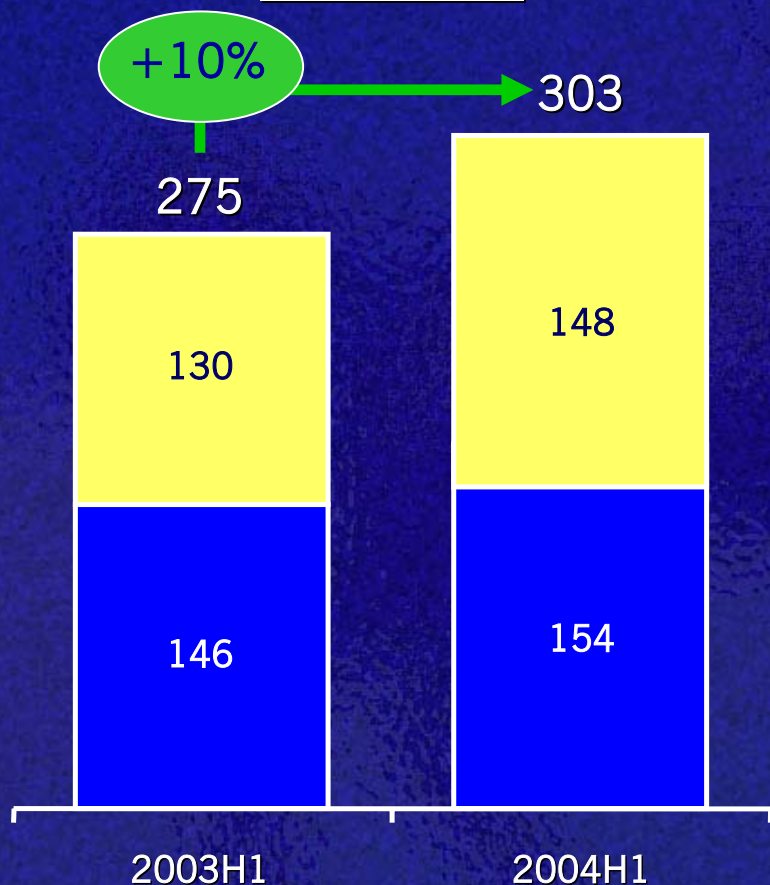
- Develop revenue streams by increasing share of wallet
- Improve customer transition through the offers

What have we done

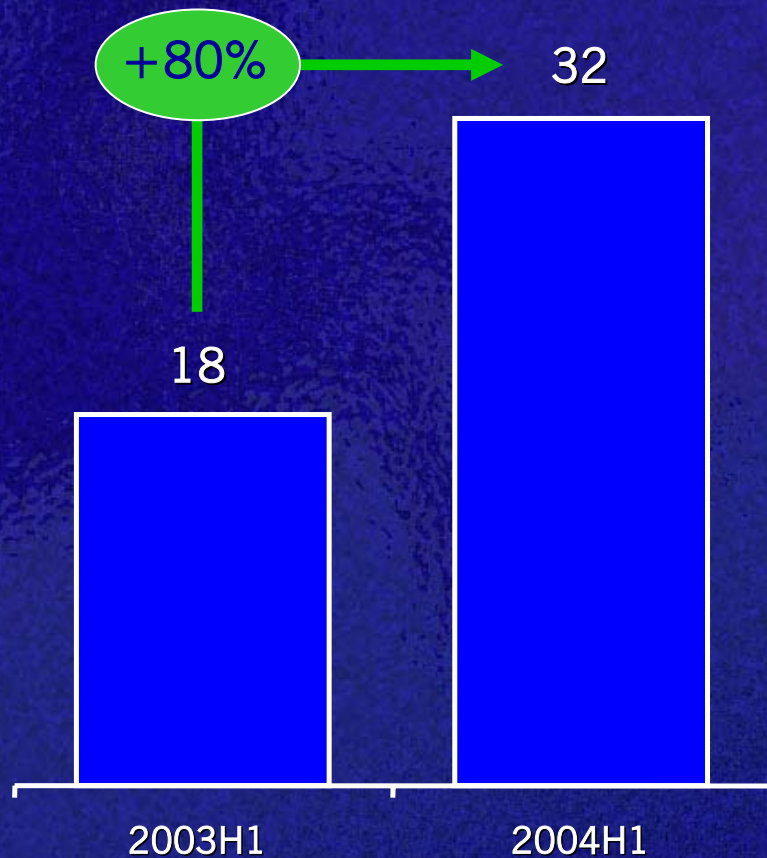
- Increased focus on relationship value by changing measurement of success
- Increased customer-facing staff
- Investing in regional centres
- Developed better information systems

Wholesale Banking – deepening relationships

Corporate Relationship Banking Income (£m)



Financial Markets Income from Cross-selling (£m)



Continuing operations basis

■ Net interest income ■ Other income

Wholesale & International

All businesses contributing to growth

<u>Growth in profit before tax £m</u>	<u>H1 2004 on H1 2003</u>
Wholesale Bank*	22%
Business Banking	19%
Asset Finance	46%
International Banking	77%
Total Wholesale & International Banking	26%

* includes Corporate Banking and Financial Markets; continuing operations excluding loss on sale of businesses

Recovery in Insurance & Investments

Our objectives

- Make bancassurance work
- Continue developing the IFA channel
- Manage the capital intensity of business
- Grow direct channels in Insurance

What have we done

- Developed channel-specific tailored products
- Strengthened sales force and processes
- Greater focus on new business profitability

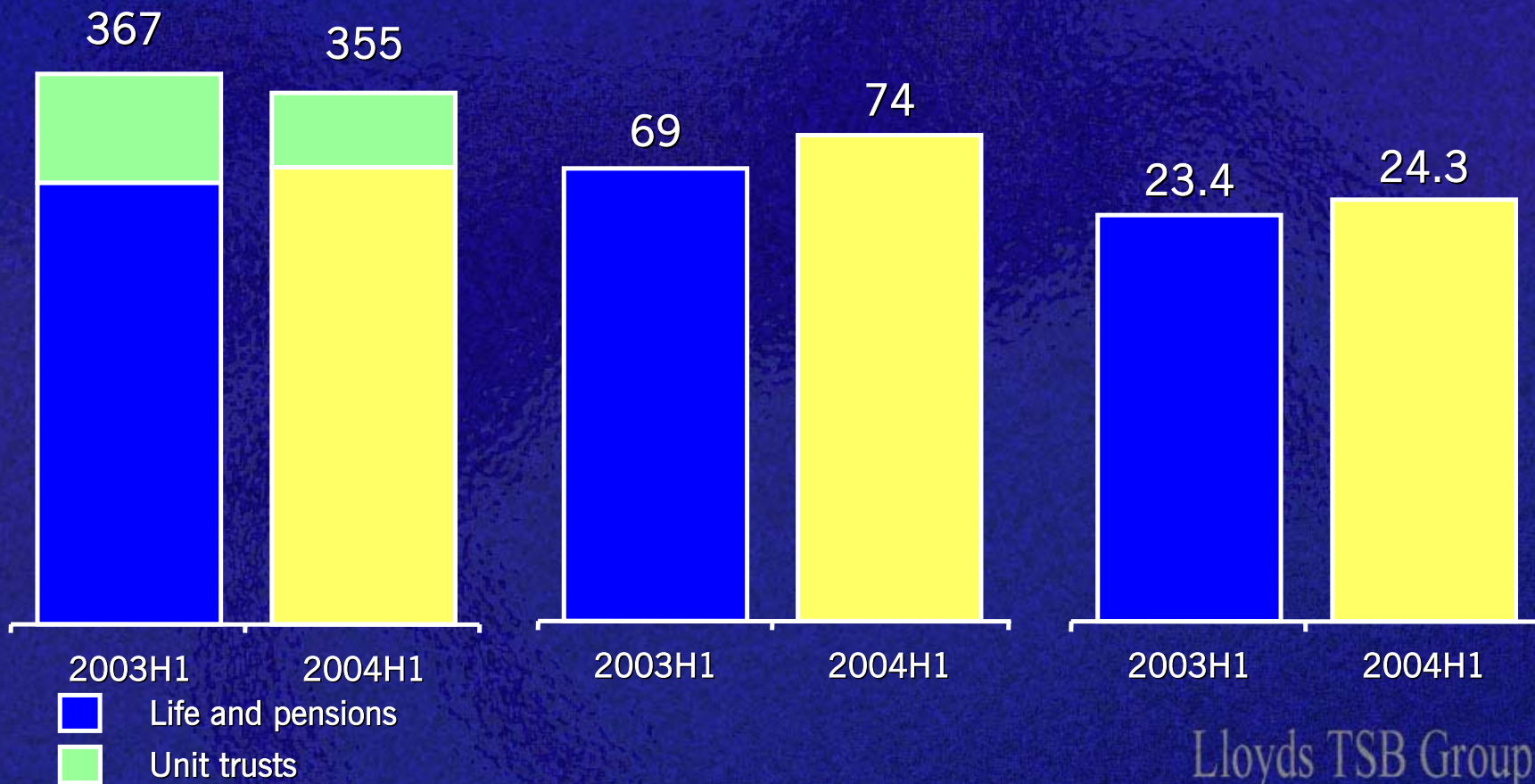
Insurance & Investments

Improvement in new business margin

New Business Premiums
(£m)

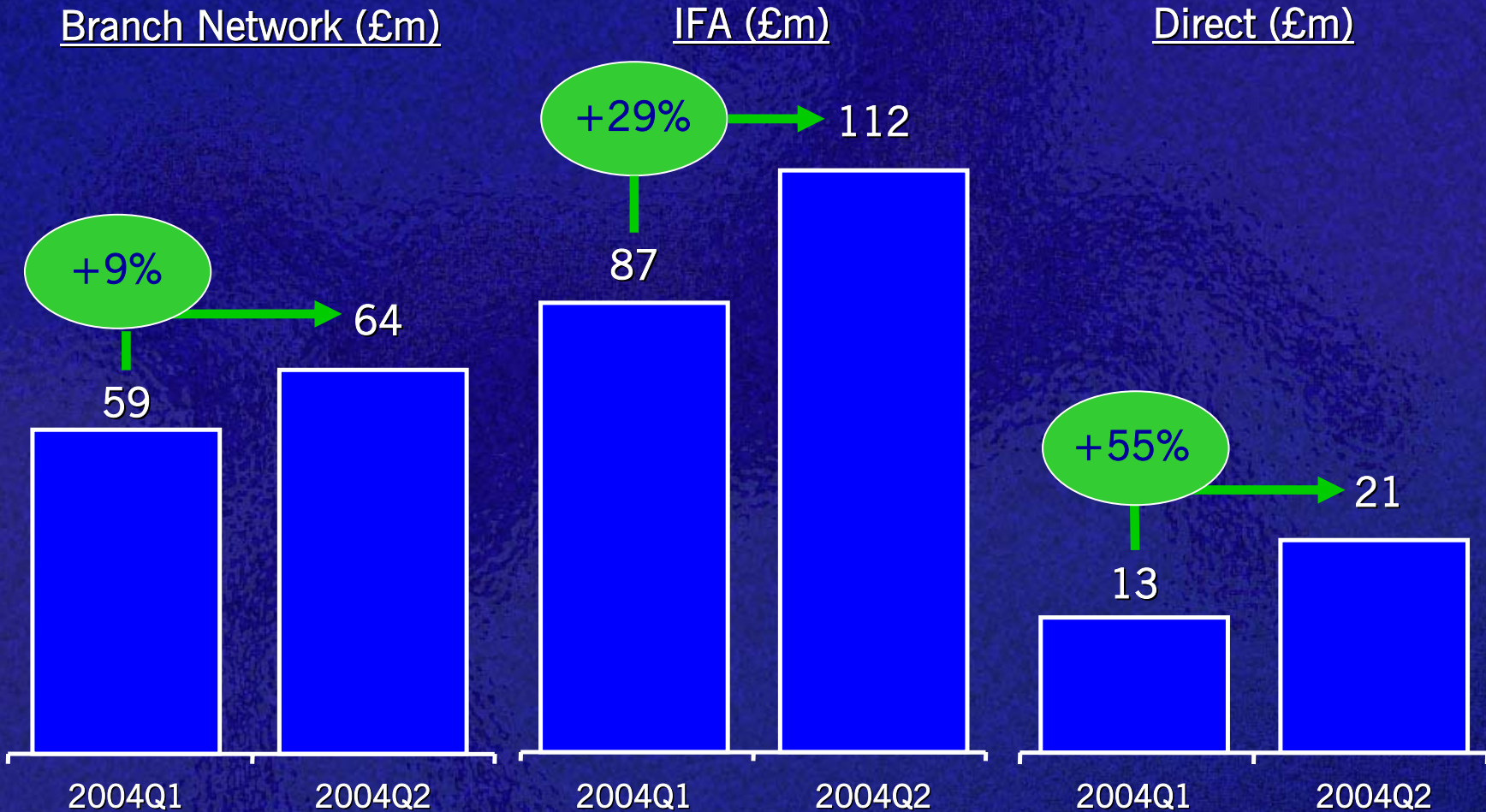
New Business Contribution
(£m)

New Business Margin
(%)



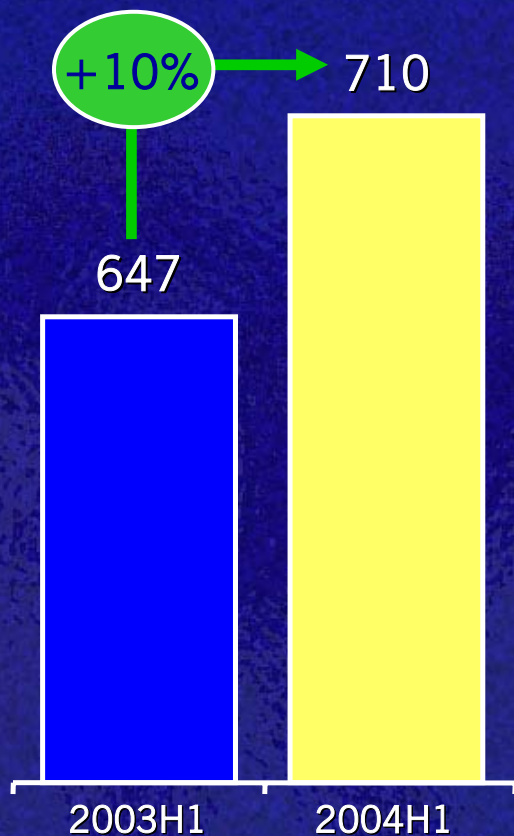
Insurance & Investments

Sales momentum building during the first half

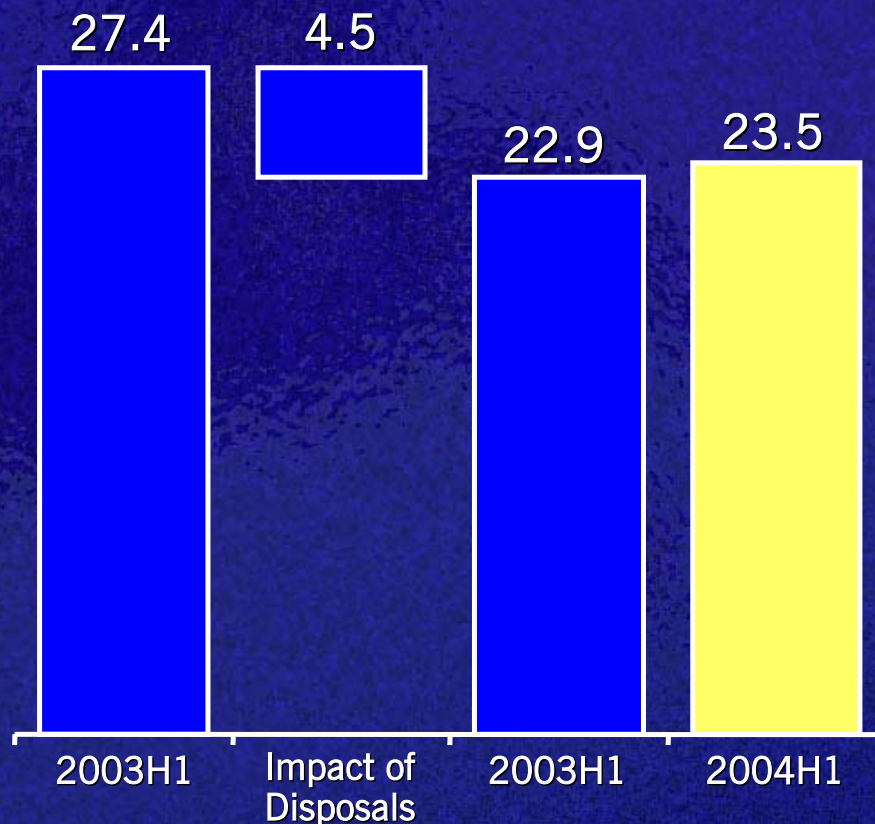


Economic profit and ROE

Economic Profit (£m)*



Post-tax Return on Average Shareholders' Equity (%)



* continuing operations, excluding investment variance, changes in economic assumptions and loss on sale of businesses

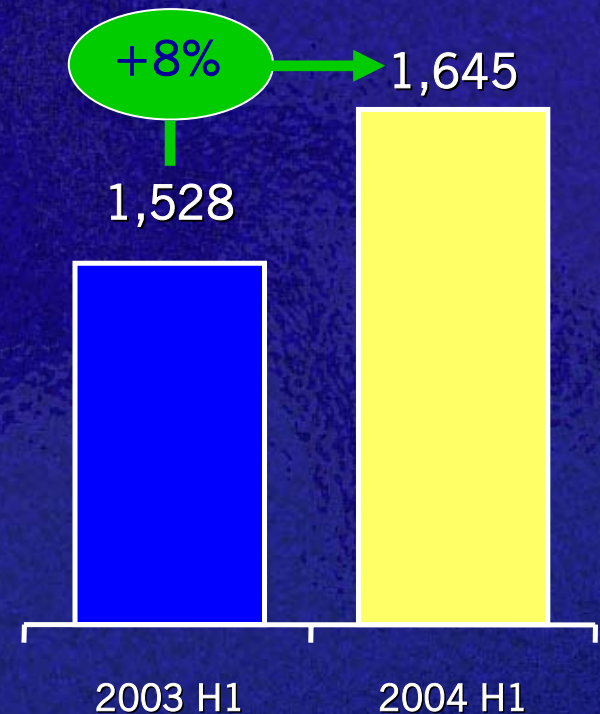
Robust capital position

- Capital ratios remain strong
- Strong credit ratings maintained
 - Moody's – 'Aaa'
 - S&P – 'AA' (negative outlook)
 - Fitch – 'AA+'
- Scottish Widows is on track to pay 2004 dividend
- Sufficient retained earnings to support expected risk-weighted asset growth

Earnings story taking shape

- Recent past:
 - high returns, but no growth
- Growth over last two halves and maintained returns
- Going forward:
 - better balanced growth
 - stronger top line

First half-year result* 2004 (£m)



* continuing basis: excludes investment variance, changes in economic assumptions, loss on sale of businesses and includes £57 million notional interest earned on sale proceeds of businesses sold in 2003

Forward looking statements

This document contains forward looking statements with respect to the business, strategy and plans of the Lloyds TSB Group and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about Lloyds TSB Group's or management's beliefs and expectations, are forward looking statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Lloyds TSB Group's actual future results may differ materially from the results expressed or implied in these forward looking statements as a result of a variety of factors, including UK domestic and global economic and business conditions, risks concerning borrower credit quality, market related risks such as interest rate risk and exchange rate risk in its banking businesses and equity risk in its insurance businesses, inherent risks regarding changing demographic developments, catastrophic weather and similar contingencies outside Lloyds TSB Group's control, any adverse experience in inherent operational risks, any unexpected developments in regulation or regulatory actions, changes in customer preferences, competition, industry consolidation, acquisitions and other factors. For more information on these and other factors, please refer to Lloyds TSB Group's Registration Statement on Form 20-F filed with the US Securities and Exchange Commission and to any subsequent reports furnished by Lloyds TSB Group to the US Securities and Exchange Commission or to the London Stock Exchange. The forward looking statements contained in this document are made as of the date hereof, and Lloyds TSB Group undertakes no obligation to update any of its forward looking statements.