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# Presentation to Tier 1 Investors

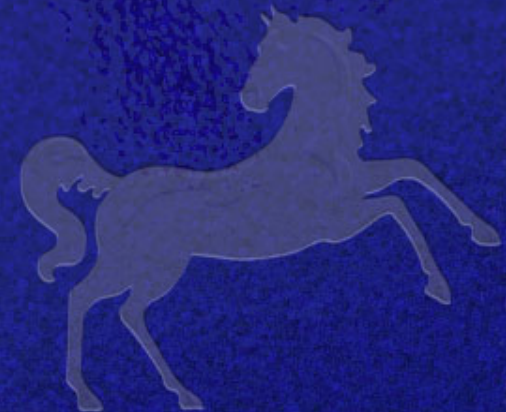
April 2005

Michael Oliver

Director of Investor Relations

John Gillbe

Group Capital and BSM Director



Lloyds TSB Group

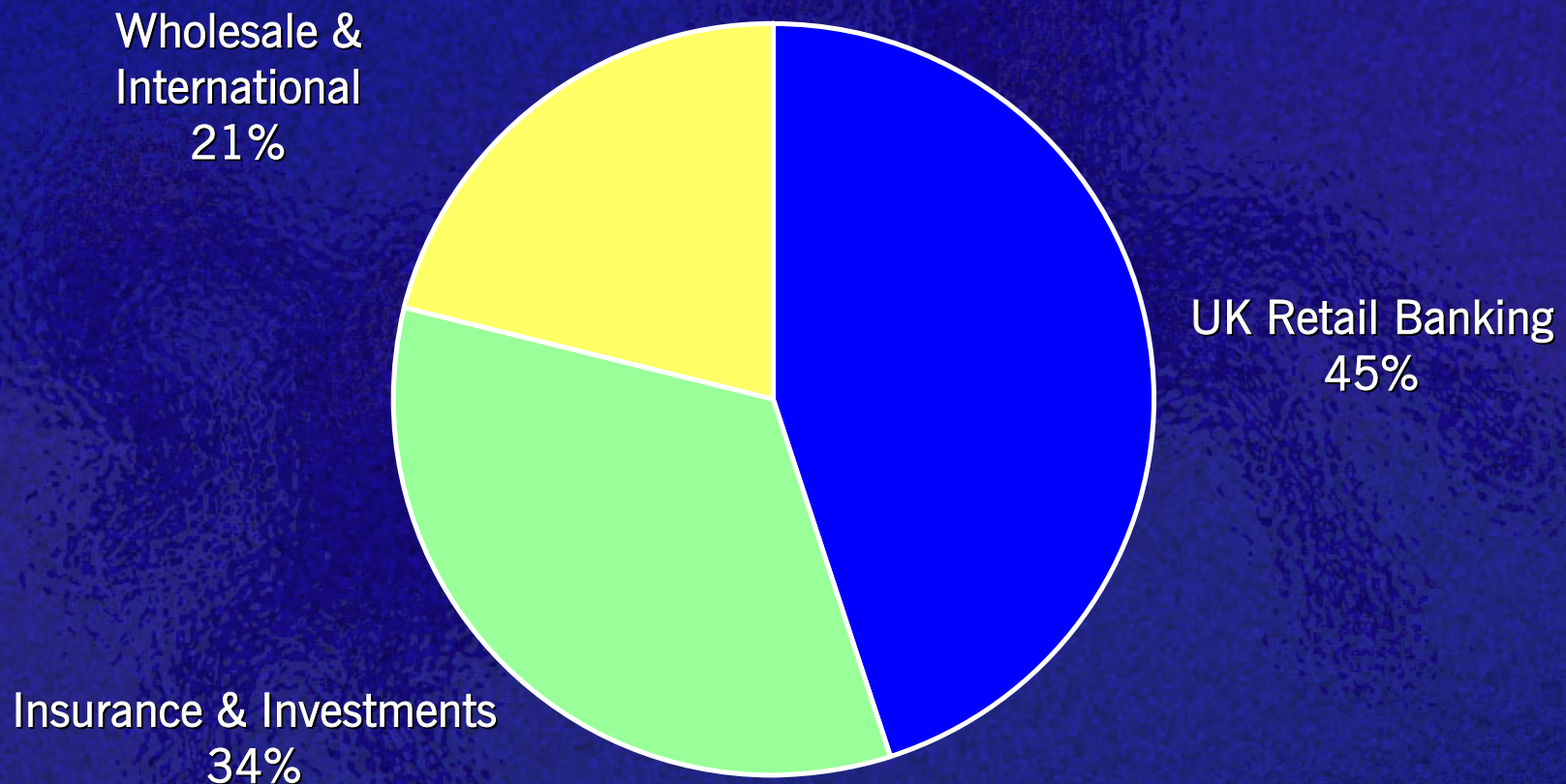
# Overview of Lloyds TSB Group plc

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- 3 businesses\*
  - UK Retail Banking: GBP 102 billion assets
  - Wholesale & International Banking: GBP 113 billion assets
  - Insurance & Investments: GBP 773 million pre-tax profit
- Key figures\*
  - profit before tax      GBP 3,493 million
  - Post-tax ROE            24.3%
  - total assets             GBP 280 billion
  - tier 1 ratio              8.9%
  - total capital ratio    10.0%
- Strong ratings
  - Moodys                  Aaa (stable)
  - S&P                      AA (negative outlook)

\* figures as at 31 December 2004

# Main businesses – profit before tax contribution\*



\* excluding investment variance, changes in economic assumptions, loss on sale of businesses and central group items

# Market share

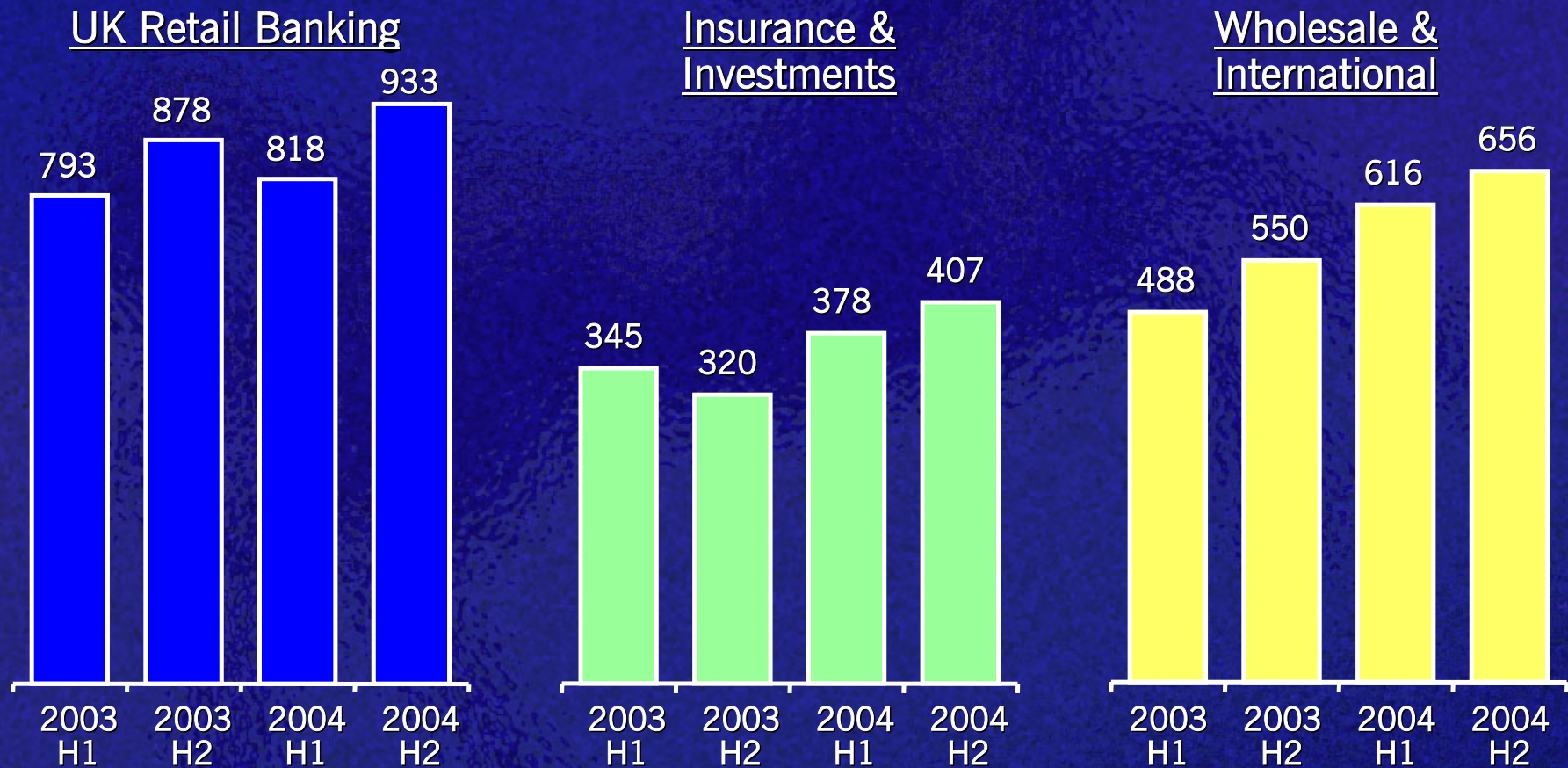
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	<u>2004</u>
Added value current accounts (stock)	30%
Number of current accounts (18+ customers)	21%
Personal lending (balances)	10%
Credit cards (balances)	13%
Personal deposits	9%
Life & pensions (APE)	8%
Mortgages (stock)	9%
Business banking (start-ups)	19%

# Focused on growth

## All divisions performing

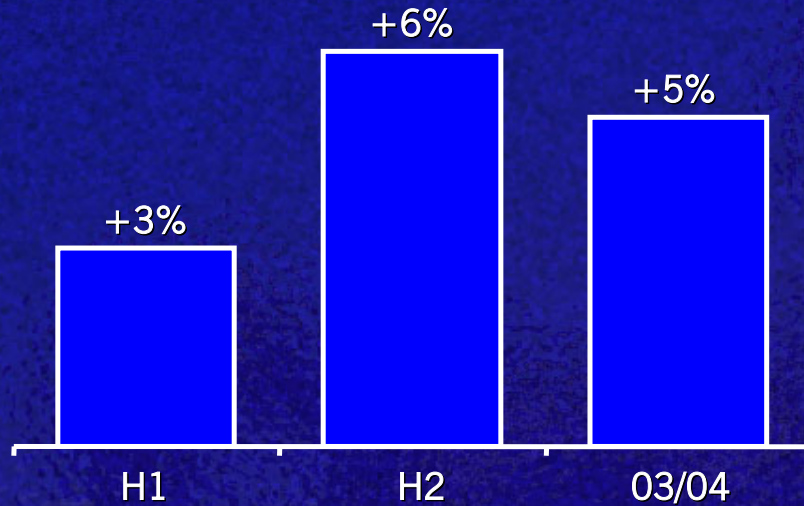
Profit before tax (£m)



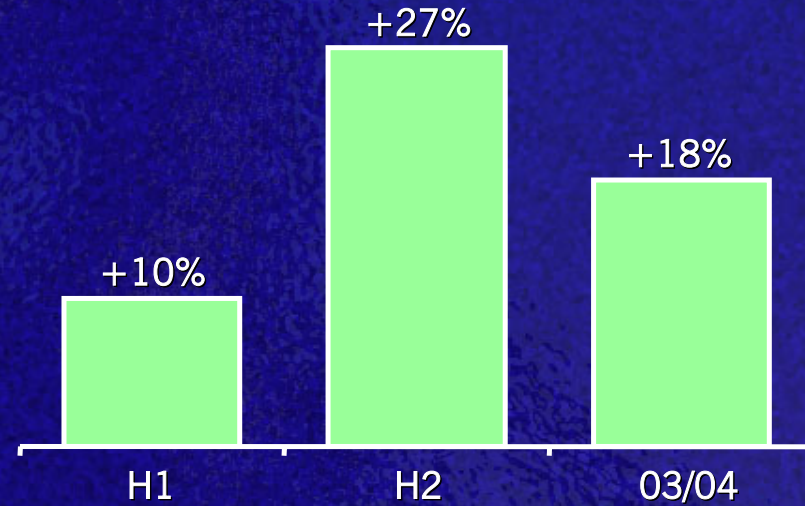
\* continuing operations basis, excluding investment variance, changes in economic assumptions, profit/loss on sale of businesses and customer redress provisions.

# Improving momentum – 2004 results\*

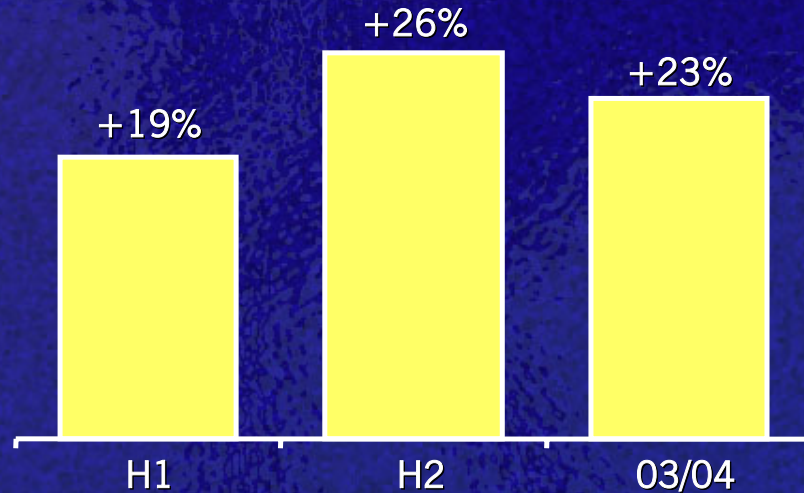
## UK Retail Banking



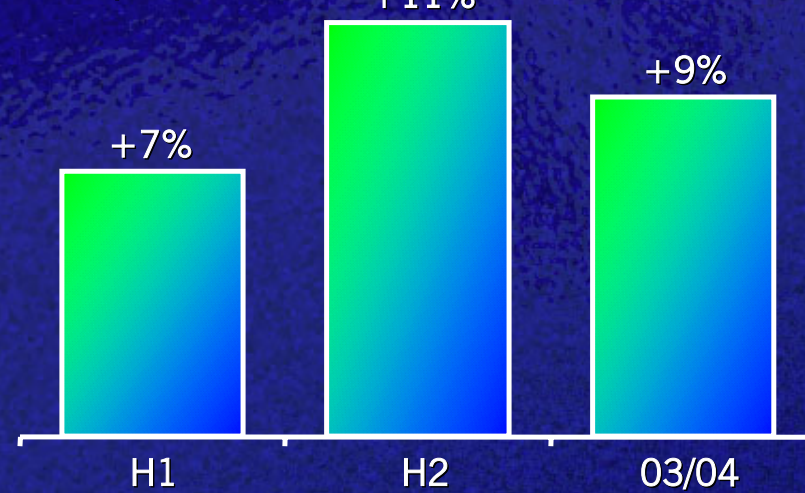
## Insurance & Investments



## Wholesale

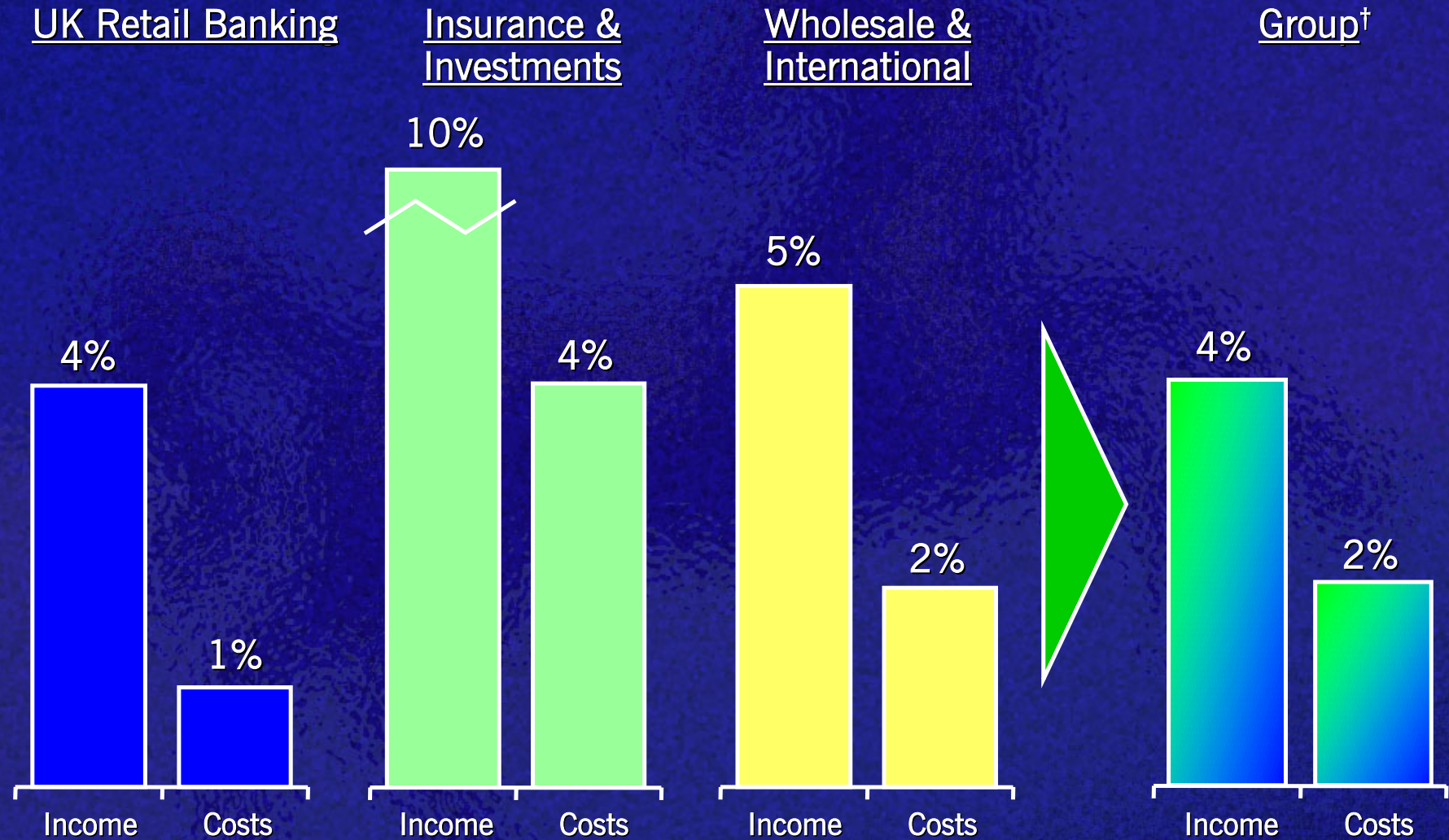


## Group



\* profit before tax, excluding investment variance, changes in economic assumptions, profit/loss on sale of businesses, customer redress provisions, the sale of EMD bonds/forex closures and 2003 also includes notional interest earned on sale proceeds of businesses sold in 2003

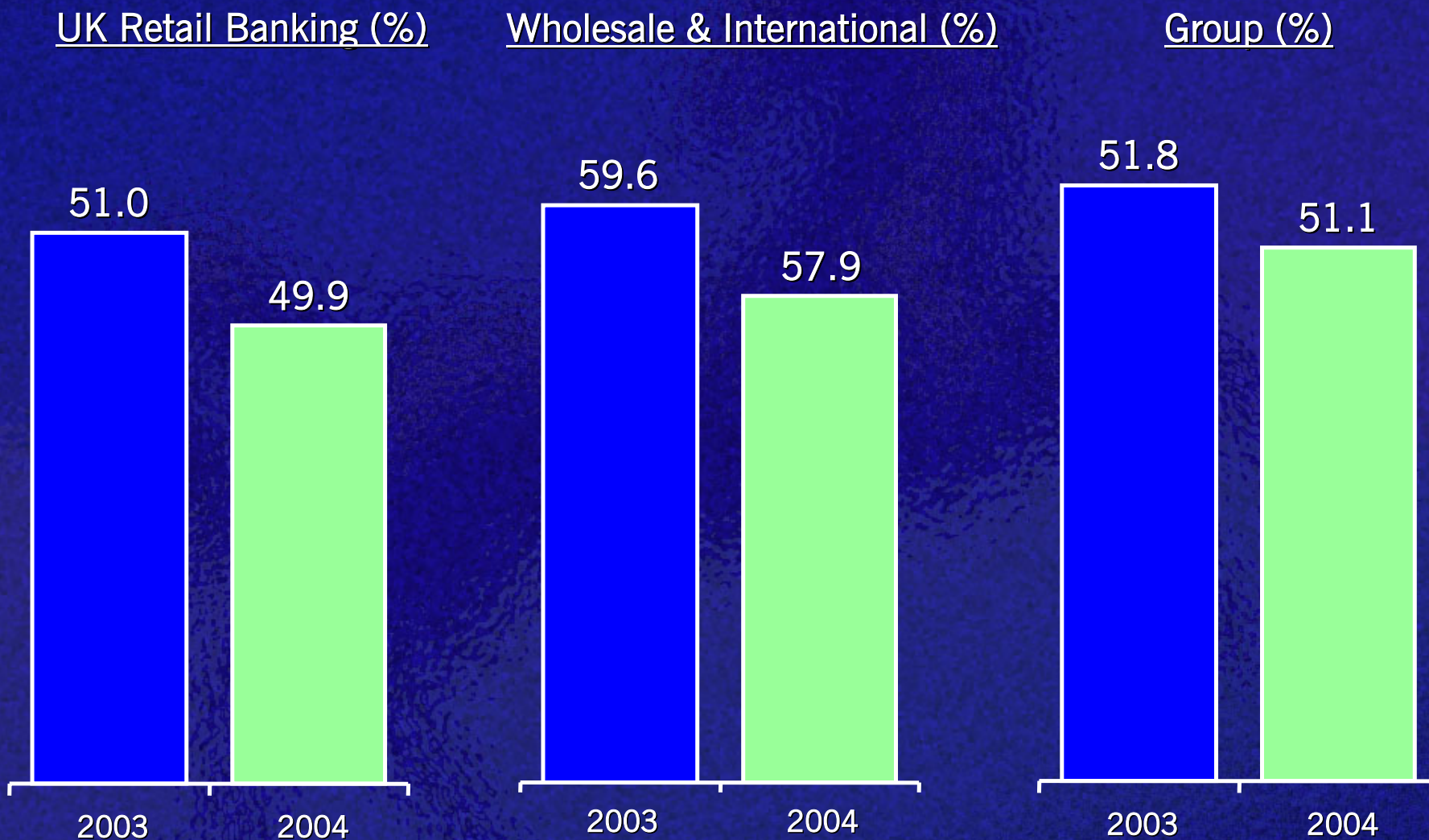
# Income growth ahead of costs in all divisions\*



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

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

# Cost:income ratio improvements\*



\* continuing operations, excluding investment variance, changes in economic assumptions, loss on sale of businesses, customer redress provisions, the sale of EMD bonds/forex closures, and including interest earned on the sale proceeds of businesses sold in 2003

# Strategy in the Retail Bank

## Maintaining momentum in our retail franchise

Our objectives ...

Acquire and retain quality customers

Deepen customer relationships



... What we are doing

Implemented local markets

Improved use of customer data

Improving our products

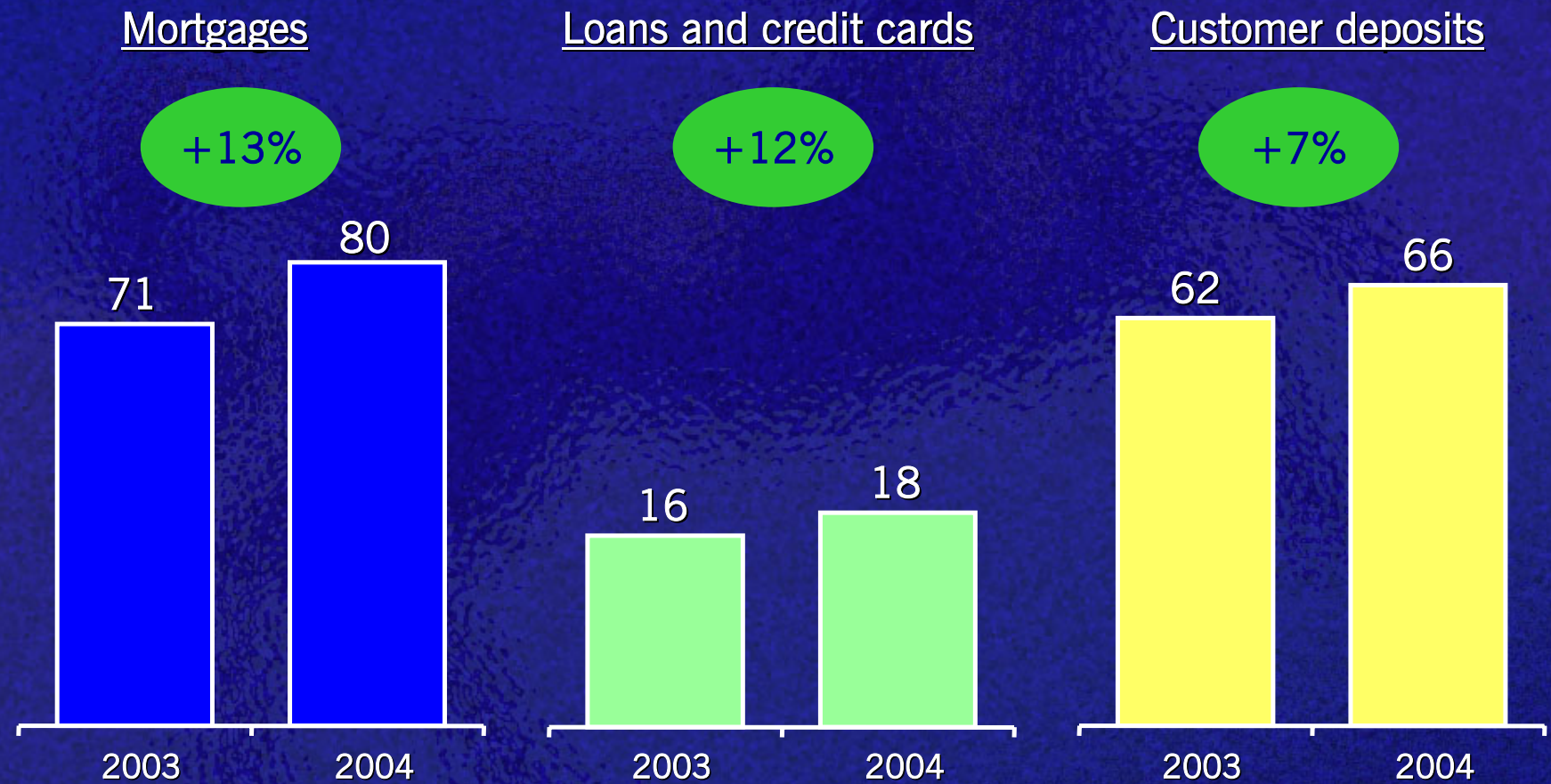
Improving service quality

Improving multi-channel capabilities

# Overview of UK Retail Banking results

## Strong growth in balances

Period-end balances (£bn)

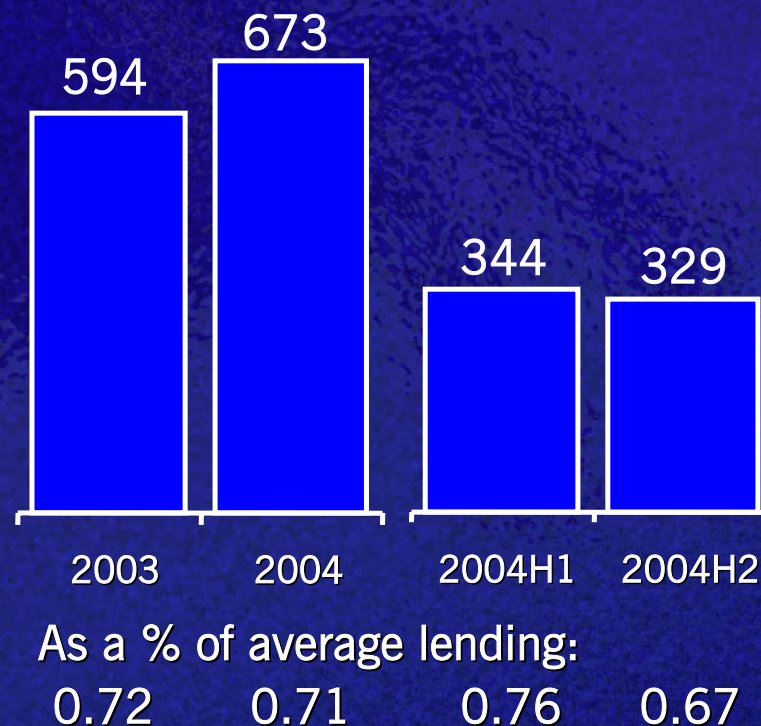


# Overview of UK Retail Banking results

## Managing asset quality

- Strong retail lending profile
- Avoidance of high risk sectors:
  - sub-prime lending
  - buy-to-let lending
- High proportion of in-franchise lending
- Increased use of risk-based pricing

Charge for bad & doubtful debts (£m)

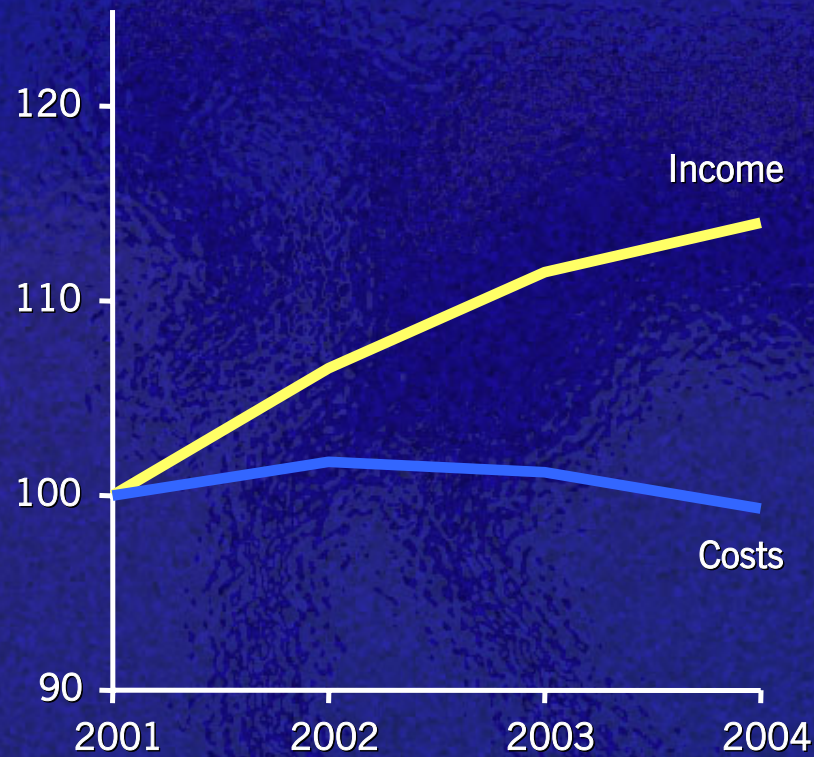


# UK Retail Banking

## Deepening customer relationships to increase profitability

Profitability\* per customer

(Indexed: 100 = 2001)

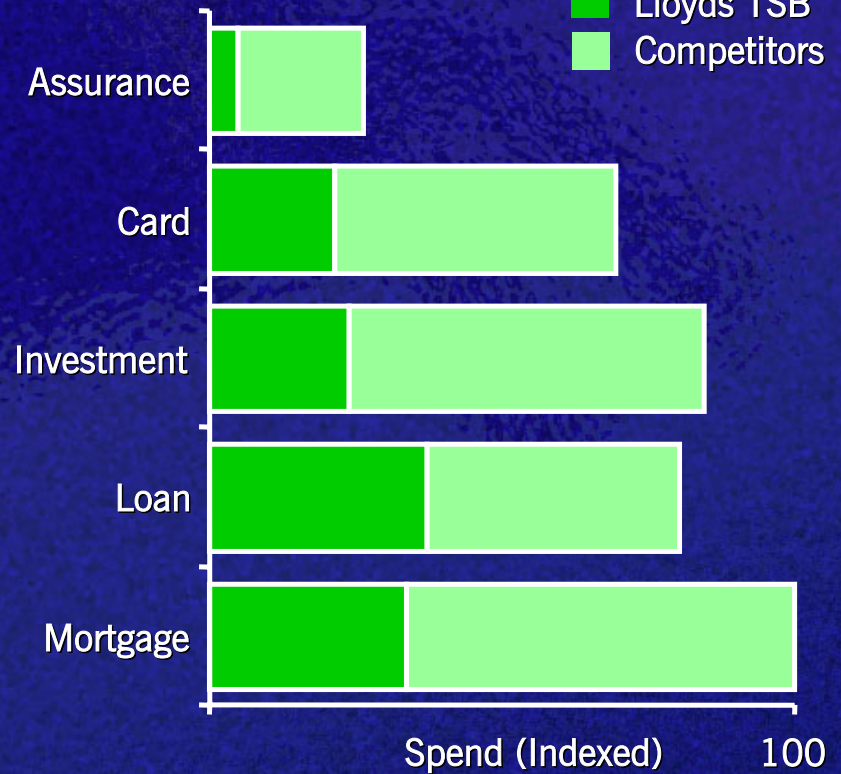


\* excluding customer redress provisions

Share of customer spend

Share of wallet

■ Lloyds TSB  
■ Competitors



Lloyds TSB Group

# Strategy in Wholesale & International Banking

## Sustaining growth in our Wholesale franchises

Our objectives ...

Growing the Corporate Markets  
business

Improving the Business Banking  
franchise

... What we are doing

Winning new customers  
Relationship deepening  
Investing in regional centres  
Broadening our product offer

Growing the franchise and  
improving efficiency

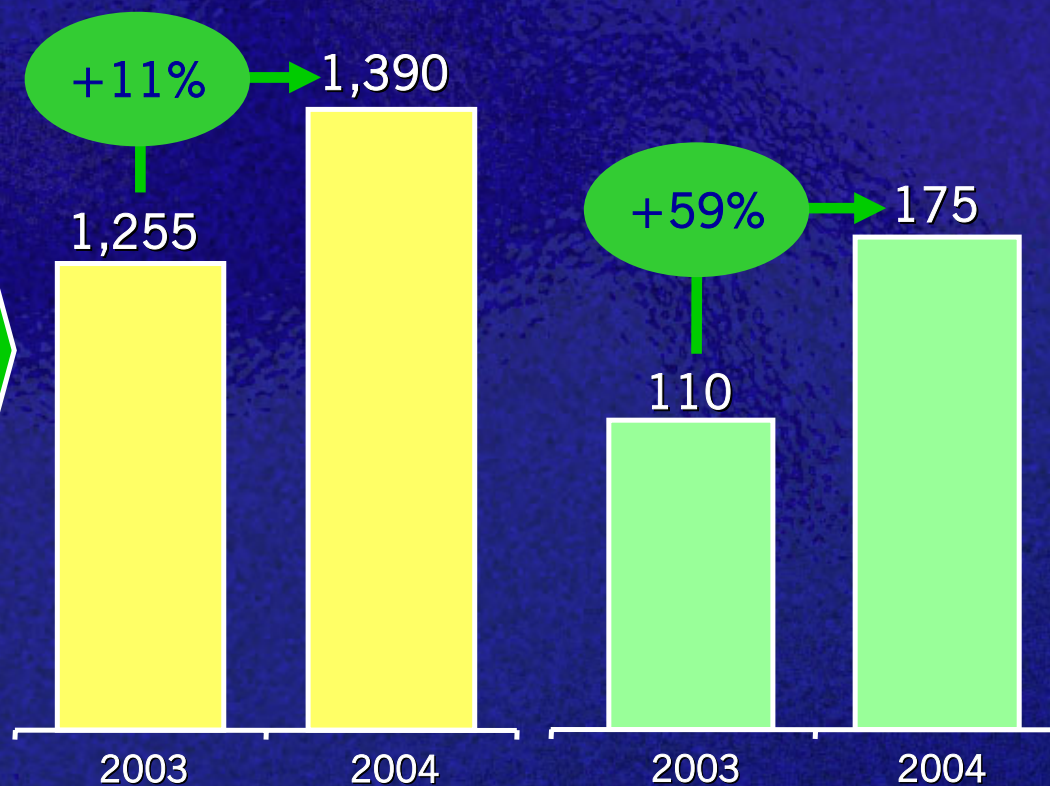
# Overview of Wholesale & International results

## Growing the Corporate Markets business



Total income (£m)

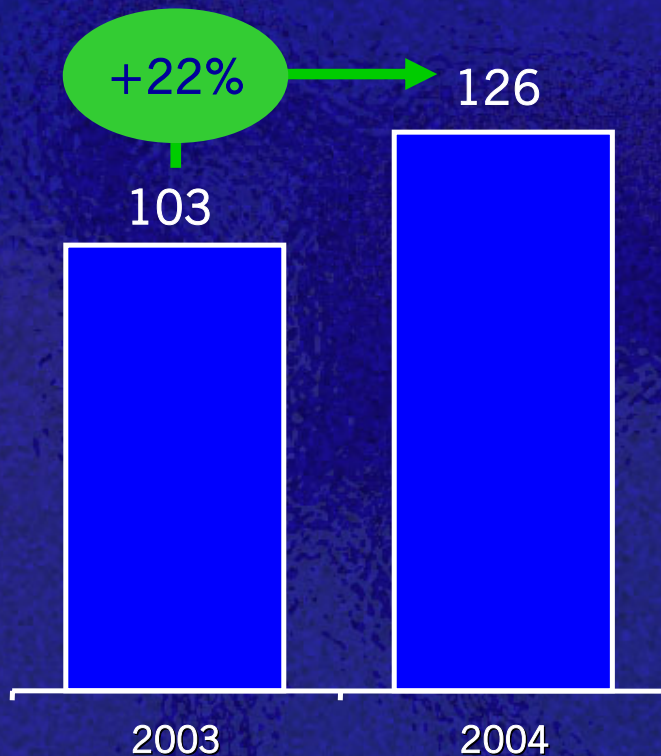
Cross-selling income (£m)



# Overview of Wholesale & International results

## Improving the Business Banking\* franchise

Profit before tax (£m)



- Simplified propositions
- Leveraged off Retail Bank franchise
- Improved efficiency
- Number 1 in start-up businesses

\* Business Banking focus is on serving small business customers, typically with a turnover below £2 million

# Wholesale & International

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All businesses within division performing

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<u>Growth in profit before tax (£m)</u>	<u>2004 vs 2003</u>
Corporate Markets	+25%
Business Banking	+22%
Asset Finance	+27%
International Banking*	+21%
Total Wholesale & International Banking*	+23%

\* continuing operations basis excluding profit/loss on disposals

# Strategy in Insurance & Investments

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## Maintaining momentum in Insurance & Investments

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Our objectives ...

Maximise value from bancassurance

Strengthen distribution capability

Optimise capital management and new business profitability

Develop manufacturing efficiencies in General Insurance

... What we are doing

Delivered simplified product suite

Increasing IFA and direct sales

Focusing growth on higher return products

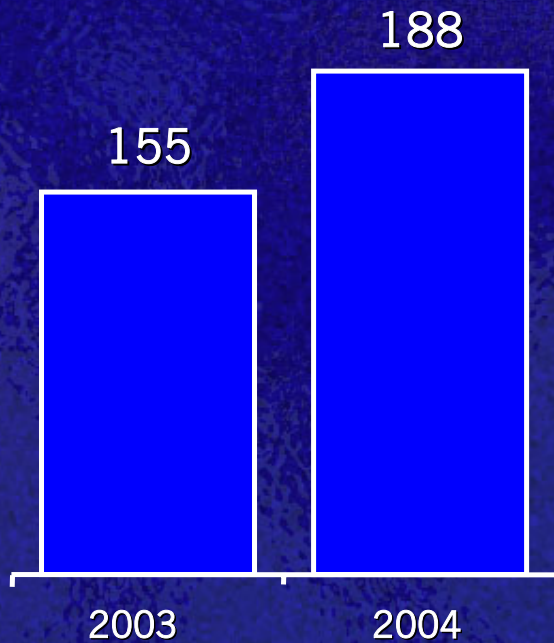
Growing contribution in General Insurance



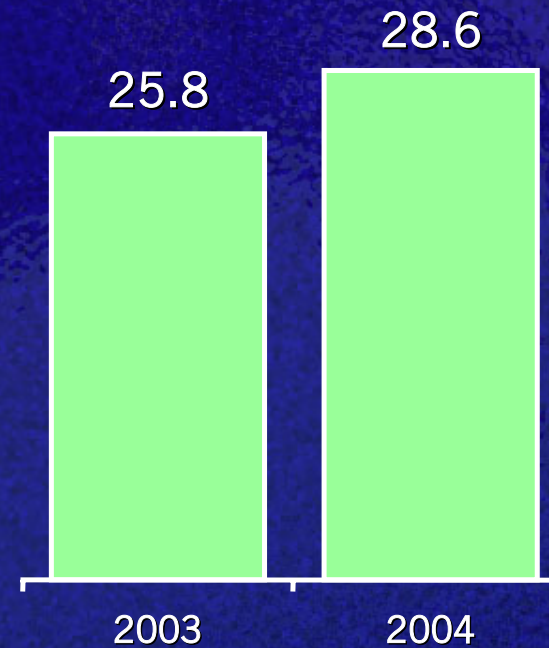
# Overview of Insurance & Investments results

## Improving Life & Pensions new business profitability

Life & Pensions  
new business contribution (£m)

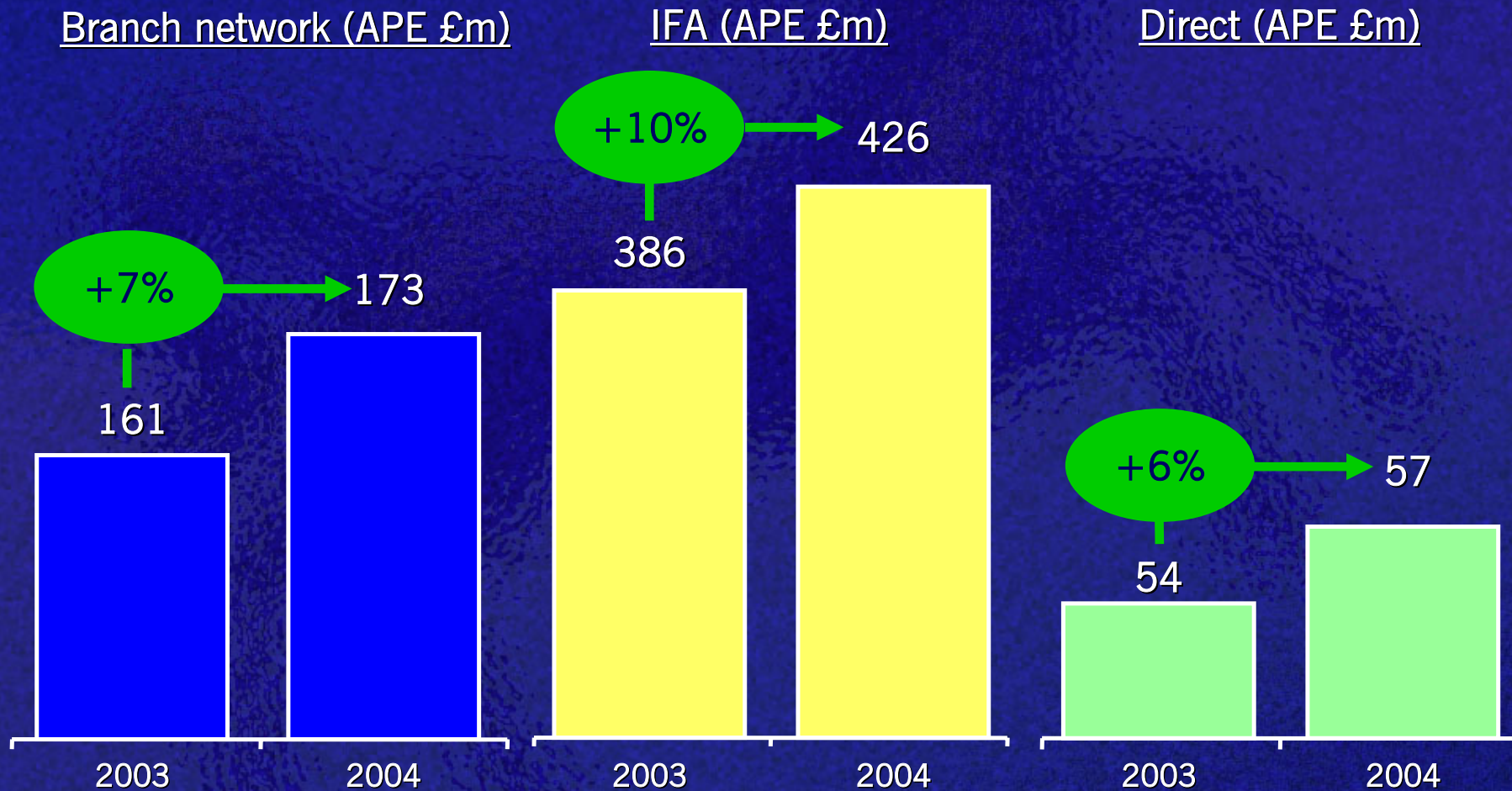


Life & Pensions  
new business margin (%)



# Overview of Insurance & Investments results

## Life & Pensions sales up across all channels



# Insurance & Investments

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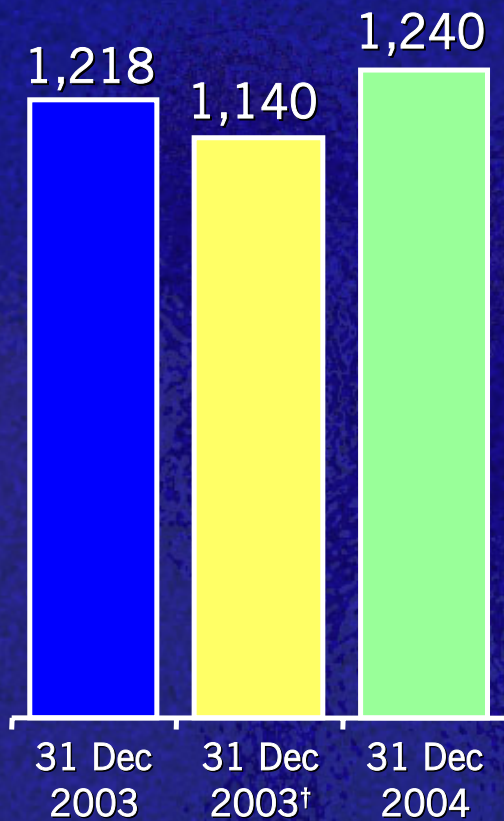
## Leveraging our distribution

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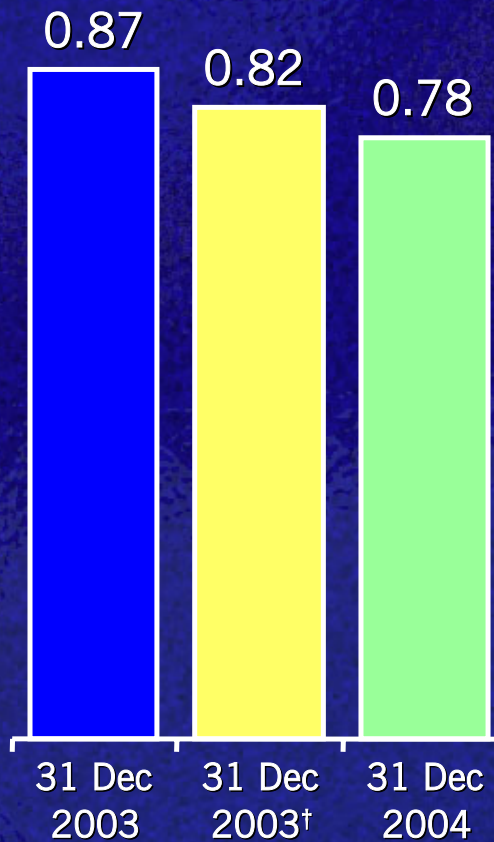
- Fastest growing retail market
- Biggest opportunity to deepen relationships
- Plays to our strengths
  - distribution reach
  - Scottish Widows brand
- Strong platform for Lloyds TSB Insurance

# Asset quality – non-performing lending\*

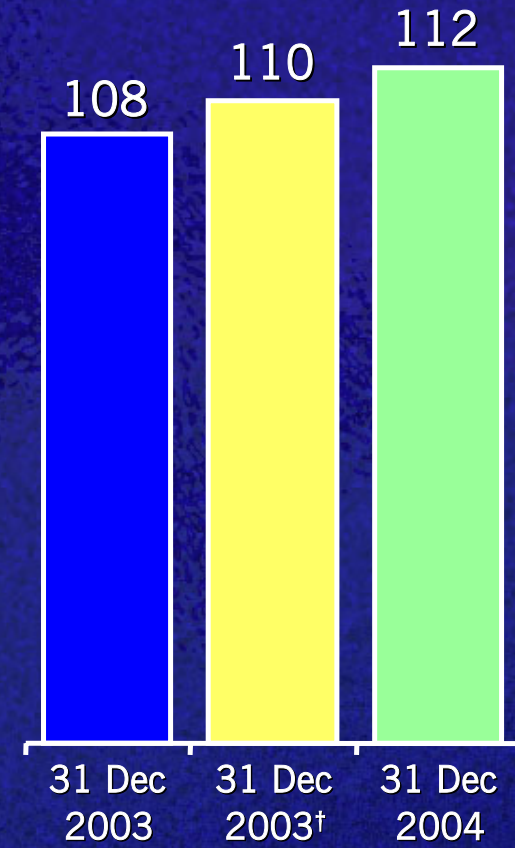
Non-performing lending (£m)



NPL's as a percentage of total lending (%)

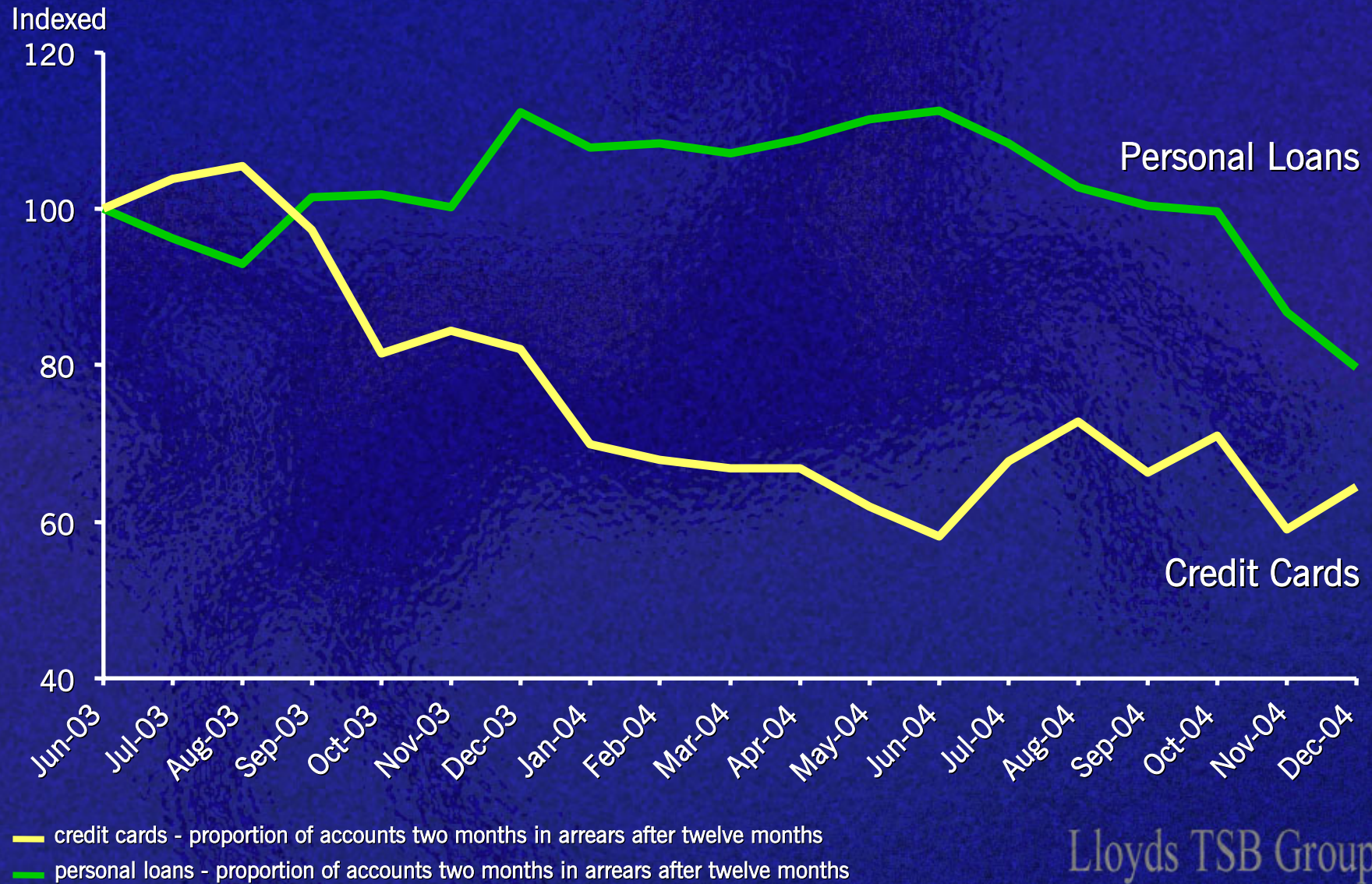


Specific provisions as a percentage of NPL's (%)



\* continuing operations  
† excluding 2004 business disposals

# Asset quality – dynamic delinquency trends



# Capital position robust

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- Capital ratios remain strong:
  - tier 1 ratio : 8.9%
  - total capital ratio : 10.0%
- Strong credit ratings maintained
  - Moody's : 'Aaa'
  - S&P : 'AA' (negative outlook)
  - Fitch : 'AA+'
- Sufficient retained earnings to support expected risk-weighted asset growth

# Scottish Widows – capital strength

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- New business margin increased to 28.6% (2003: 25.8%)
- Improved new business internal rate of return in each distribution channel
- Free asset ratio increased to 17.0%
- Scottish Widows has paid a 2004 dividend to Lloyds TSB of £200 million



- Scottish Widows remains one of the most strongly capitalised life assurance companies in the UK

# Scottish Widows – strong realistic balance sheet

	With-Profits Fund £bn	Long-Term Fund £bn
Available assets, including support account	19.1	21.8
Realistic value of liabilities	(18.1)	(17.7)
Net surplus	1.0	4.1
Working capital ratio	5.1%	19.0%
Risk capital margin cover	2.4x	9.3x

# One of the highest rated banks in Europe

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Reflected by the strength of long term credit ratings

	Moody's	S&P	Fitch
Lloyds TSB Bank	Aaa	AA	AA+
ABN AMRO	Aa3	AA-	AA-
Barclays Bank	Aa1	AA	AA+
Deutsche	Aa3	AA-	AA-
RBS	Aa1	AA	AA+
UBS	Aa2	AA+	AA+

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# No material impact of IFRS implementation\*

- Effective interest rates
- Life assurance
- Goodwill
- Equity to debt reclassification
- Pensions
- Dividends



	<u>2005 £m</u>
Profit before tax:	less than 5%
Attributable profit:	less than 5%
Total capital:	not material

\* excluding market impact of IAS 39 and FRS 27

# Implementation of Basel II

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- Early implementation – 2007
- We expect lower risk-weighted assets – up to 20% over time – with a phased benefit introduction
- CP05/3, published January 2005, states that there will be ‘no impact at all on the overall level of regulatory capital’

# Summary – key performance highlights

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- Good earnings momentum throughout the Group
- Improved return on risk-weighted assets
- Costs remain firmly under control
- Asset quality remains strong
- Capital ratios satisfactory, and sufficient to support planned levels of balance sheet growth

# Terms and conditions

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<b>Securities</b>	Step-Up Perpetual Capital Securities (Tier 1)
<b>Issuer / Parent</b>	Lloyds TSB Bank plc / Lloyds TSB Group plc
<b>Expected Ratings</b>	Aa2 (Moody's) / A+ (Standard & Poor's)
<b>Amount</b>	€750 million
<b>Maturity</b>	Perpetual, but Issuer has right to redeem at par in 12 years and any coupon reset date thereafter, subject to regulatory approval
<b>Coupon</b>	4.385%, payable annually for 12 years; floating at a rate of 3m euro deposit rate + 1.68% thereafter
<b>Step Up</b>	100bp
<b>Optional Coupon Deferral</b>	The Issuer has the general right to defer coupons. Deferred coupons are payable at the discretion of the Issuer or upon liquidation of the Issuer or redemption of the Securities
<b>Dividend and Capital Stopper</b>	Upon deferral, the Issuer and Parent may not redeem, repurchase or acquire or make any payment of dividends or distributions on any non-cumulative preference shares or ordinary shares. Capital stopper applies to other Tier 1 securities as well

# Terms and conditions (continued)

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## Alternative Coupon Satisfaction Mechanism

Deferred coupons must be satisfied with proceeds from an issue of Lloyds TSB Group ordinary shares (ACSM)

## Ranking in Liquidation

The Securities rank (i) junior to Senior Creditors of the Issuer, (ii) junior to perpetual cumulative subordinated debt and (iii) pari-passu with senior preference shares and other Tier 1 securities

## Early Redemption for Tax and Regulatory

The Issuer may redeem the Securities at par or substitute them for an UT2 upon change of law that results in imposition of withholding or loss of deductibility. Early redemption for all other tax events or loss of Tier 1 capital treatment at the make whole amount

## Governing Law

English Law

## Listing

London

## Bookrunners

Merrill Lynch / UBS

# Forward looking statements

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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.