
Merrill Lynch Conference

4 October 2005

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Group Chief Executive



Lloyds TSB Group

Lloyds TSB – a strong platform for growth

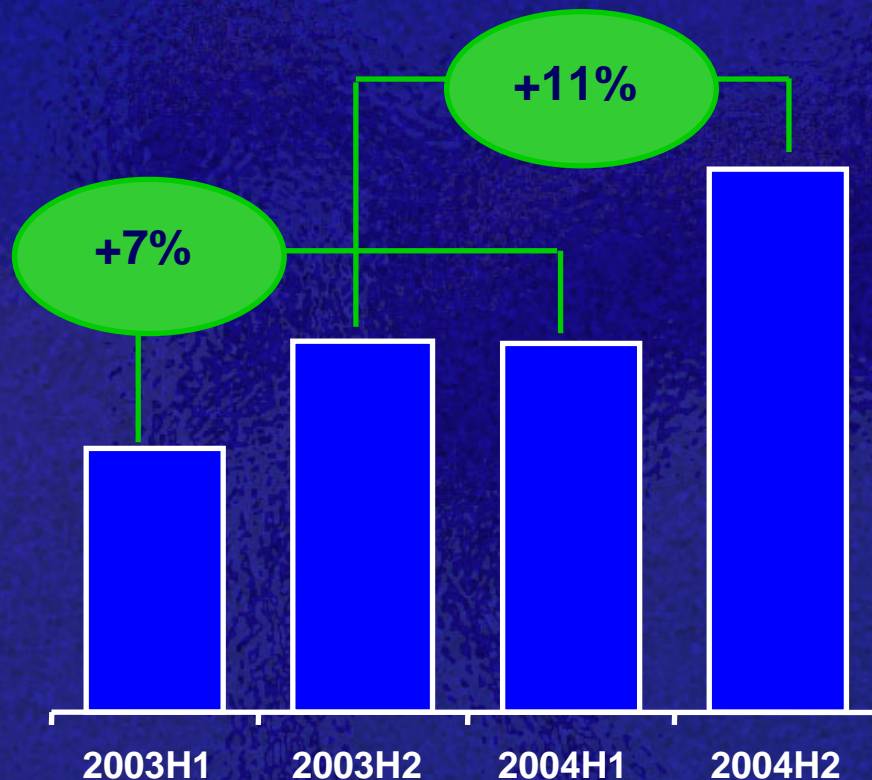
- **Retail**
 - Strong distribution platform
 - Good brand
 - Leading share in Current Accounts
- **Wholesale**
 - Good share in feeder market (Business Banking)
 - Strong portfolio of corporate customers
 - High customer satisfaction
- **Insurance & Investments**
 - Leading distributor of personal lines P&C insurance
 - Strong brand in Scottish Widows
- **Group**
 - Good cost control; positive jaws disciplines
 - High returns; focused economic capital management
 - Strong credit ratings

Our strategy

- **Phase One – 2003/2004 – focus on core markets**
 - Enhance the quality of earnings
 - Get the organisation prepared for growth
- **Phase Two – 2005/2006 – build customer franchises**
 - Leverage strengths
 - Growth and returns
 - Improve efficiency
 - Enhance the Group capabilities to sustain growth
- **Phase Three – 2007 onwards**
 - Expand from strength

Delivered phase one

PBT (£m)



Priorities to guide our future growth

- Grow and deepen customer relationships
- Improve our efficiency
- Enhance Group capabilities and processes

UK Retail Banking

Driving the business forward

- **Make markets**
- **Develop product offers**
- **Sell and fulfil**
- **Manage customer relationships**

Execute Brilliantly

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

UK Retail Banking

Deepening customer relationships

- Profit before tax* up by 4%
- Positive 'jaws'
 - Income growth 5%*
 - Cost growth 2%*
- Franchise growth
 - Customer deposits increased by 7%
 - Customer assets increased by 9%
 - Market shares maintained
- Asset quality remains satisfactory

Quality of customer base

Quality customer recruitment up 22%

Service excellence

Service quality at new record in H1

Easy to deal with

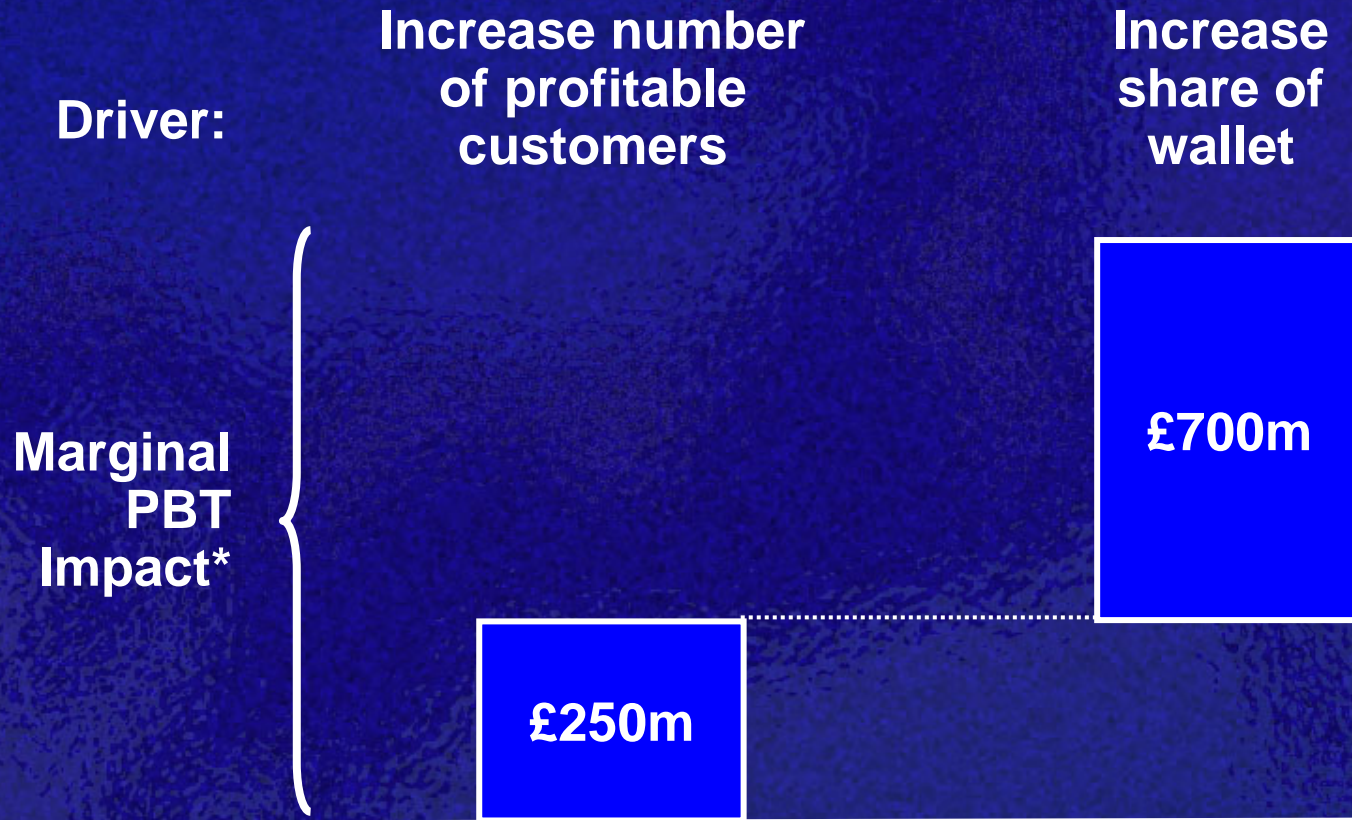
Direct channel sales up 26%

Customer understanding

Improved information on 'away spend'

* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

The opportunity within the franchise is large



Assumption:

- Retention +1% pt
- Acquisition +2% pts
- Share of wallet +6% pts

* total profit impact across the Group

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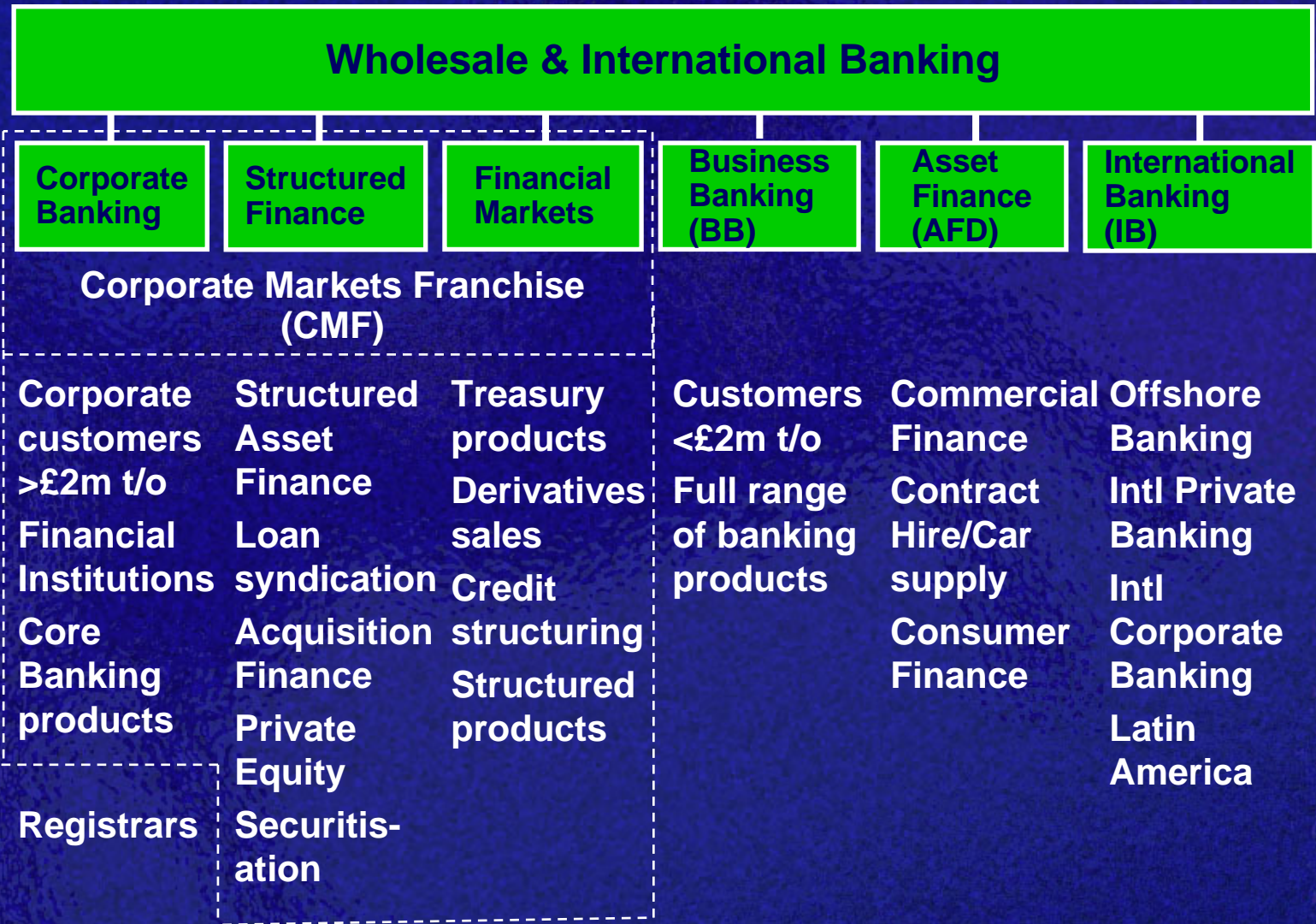
Wholesale & International Banking

Driving the business forward

- **Capture more franchise business**
- **Re-energise Business Banking**
- **Improve balance sheet efficiency**
- **Streamline international footprint**

Execute Brilliantly

Wholesale & International Banking overview



Strategy in Wholesale & International

Sustaining growth in our Wholesale franchises

Our highest priorities ...

Improving the Business
Banking franchise

Growing the Corporate
Markets business

... What we are doing

Growing the franchise and
improving efficiency

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

Overview of Wholesale & International results

Business unit performance

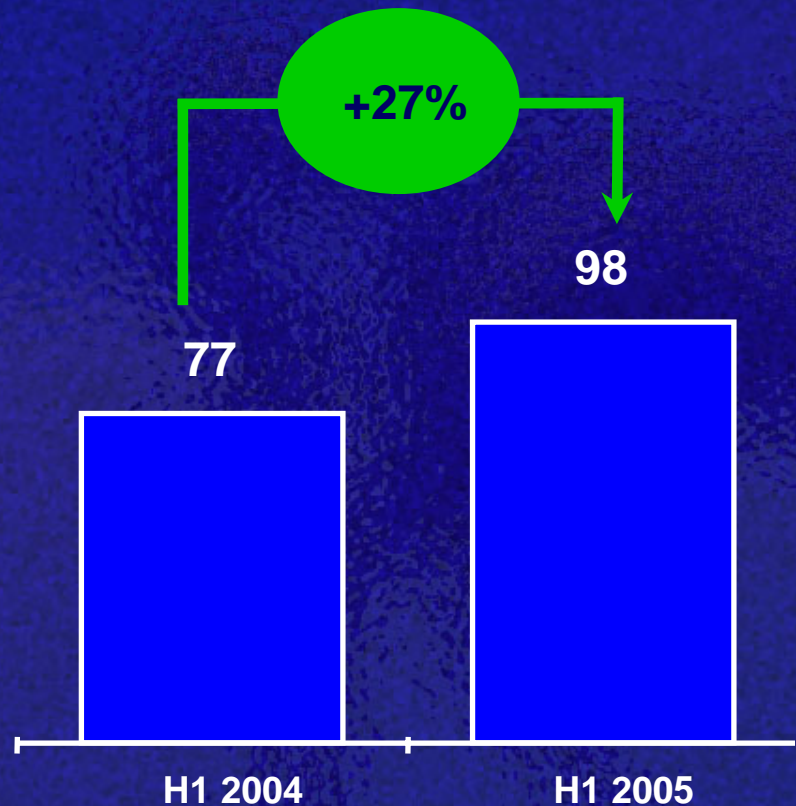
Profit before tax* (£m)	<u>2004H1</u>	<u>2005H1</u>	<u>Change</u>
Business Banking	77	98	+27%
Corporate Markets	319	399	+25%
Asset Finance	117	107	(9%)
International Banking	70	51	(27%)
Wholesale & International Banking			+14%

* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

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Improving the Business Banking franchise

PBT (£m)



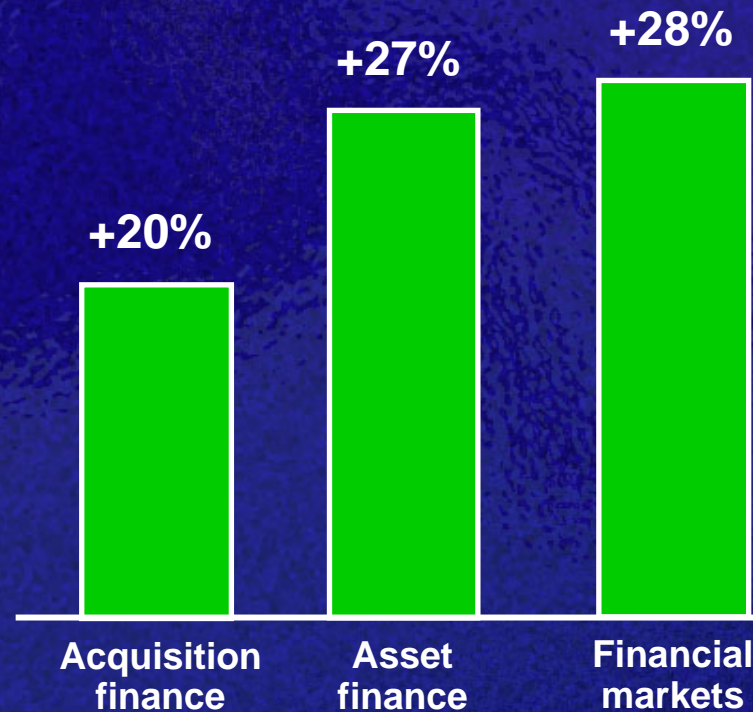
- Customer lending up 11%
- Customer deposits up 6%
- Strong market share of start ups at 20%
- Increased number of 'switchers'
- Cost:Income ratio* improved by 4 percentage points

Wholesale & International: Corporate Markets

Growing the Corporate Markets business

- Profit before tax* up by 25%
- Significant improvement in customer coverage and market shares in key segments
- Early recognition through CBI Bank of the year award
- Continuing to improve cross selling – up 26%

Growth in cross sales



* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

Key initiatives underway

Origination benchstrength

- Growth in selected product areas
- New CRM system and account coverage model
- Re-energising of RM population

Distribution and portfolio management

- Build up of new teams: credit structuring and loan trading
- Focus on investor franchise
- Focus on balance sheet efficiency and moving to managing for Economic profit

Mid-market franchise growth

- Selected regional franchise growth
- Customer service drive

Productivity and efficiency

- Selected front office systems investment
- Back office redesign

Insurance & Investments

Driving the business forward

- **New management team**
- **Deliver on organic growth opportunities**
- **Service flawlessly**
- **Optimise capital usage**

Execute Brilliantly

Strategy in Insurance & Investments

Building momentum in Insurance & Investments

Our objectives ...

Maximise value from bancassurance

Strengthen distribution capability

Optimise capital management and new business profitability

Develop manufacturing efficiencies in General Insurance

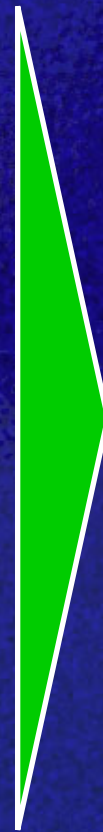
... What we are doing

Delivered simplified product suite

Increasing IFA and direct sales

Focusing growth on higher return products

Growing contribution in General Insurance

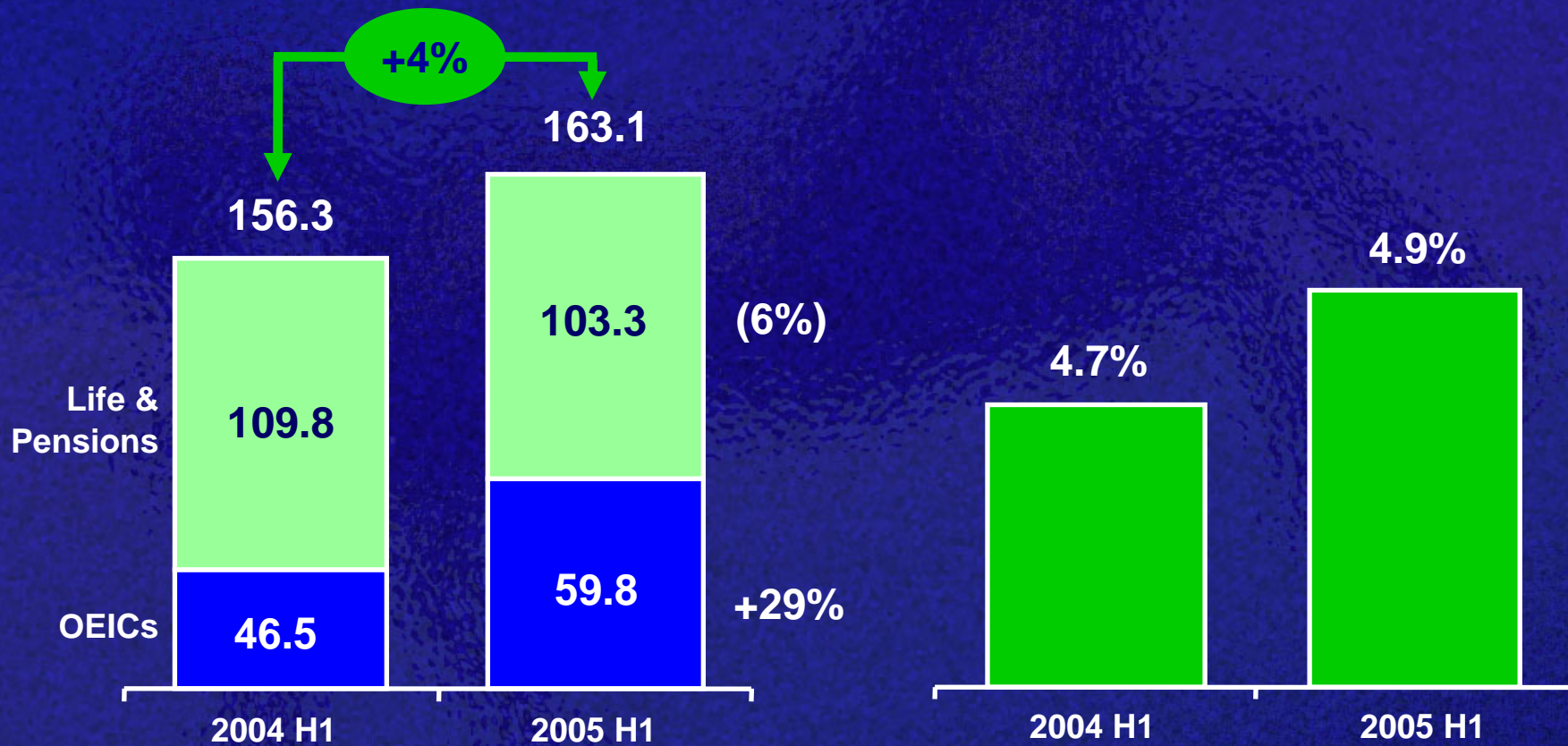


Overview of Insurance & Investments results

Sales performance – non IFA channel

Weighted sales (£m)

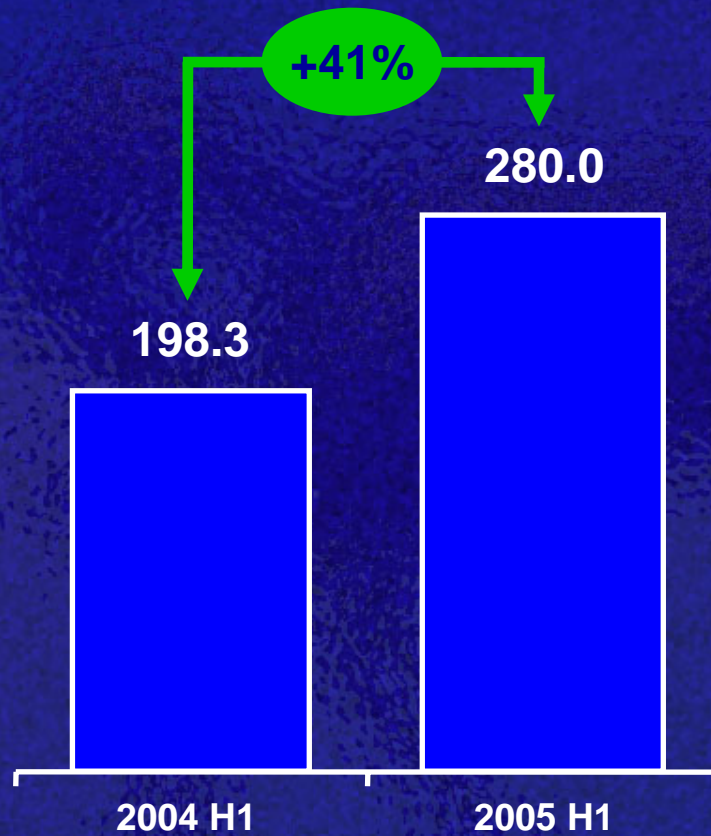
Market share



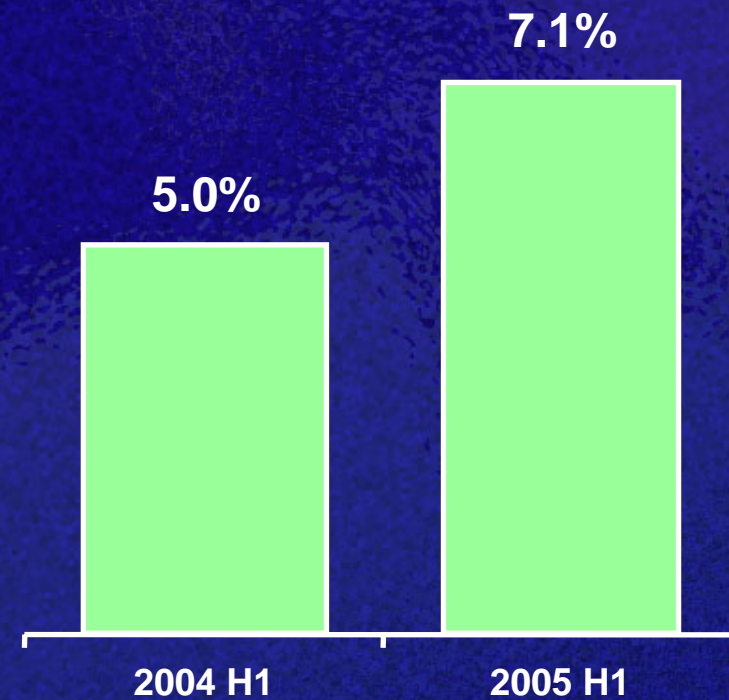
Overview of Insurance & Investments results

Sales performance – IFA channel

Weighted sales (£m)



Market share

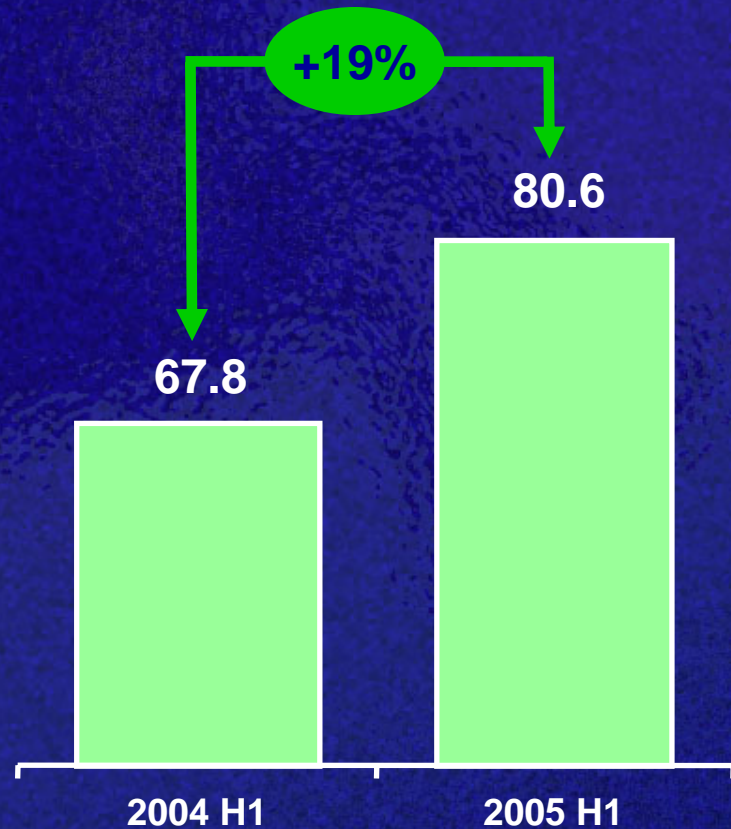
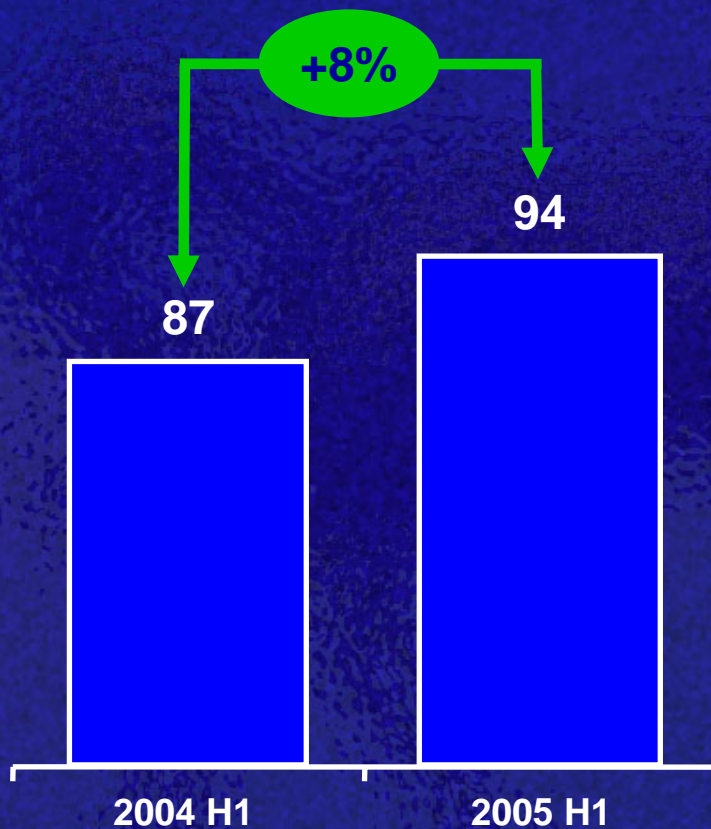


Overview of Insurance & Investments results

Growing contribution in General Insurance

Profit before tax* (£m)

Direct sales – gross written premiums (£m)



* comparable basis

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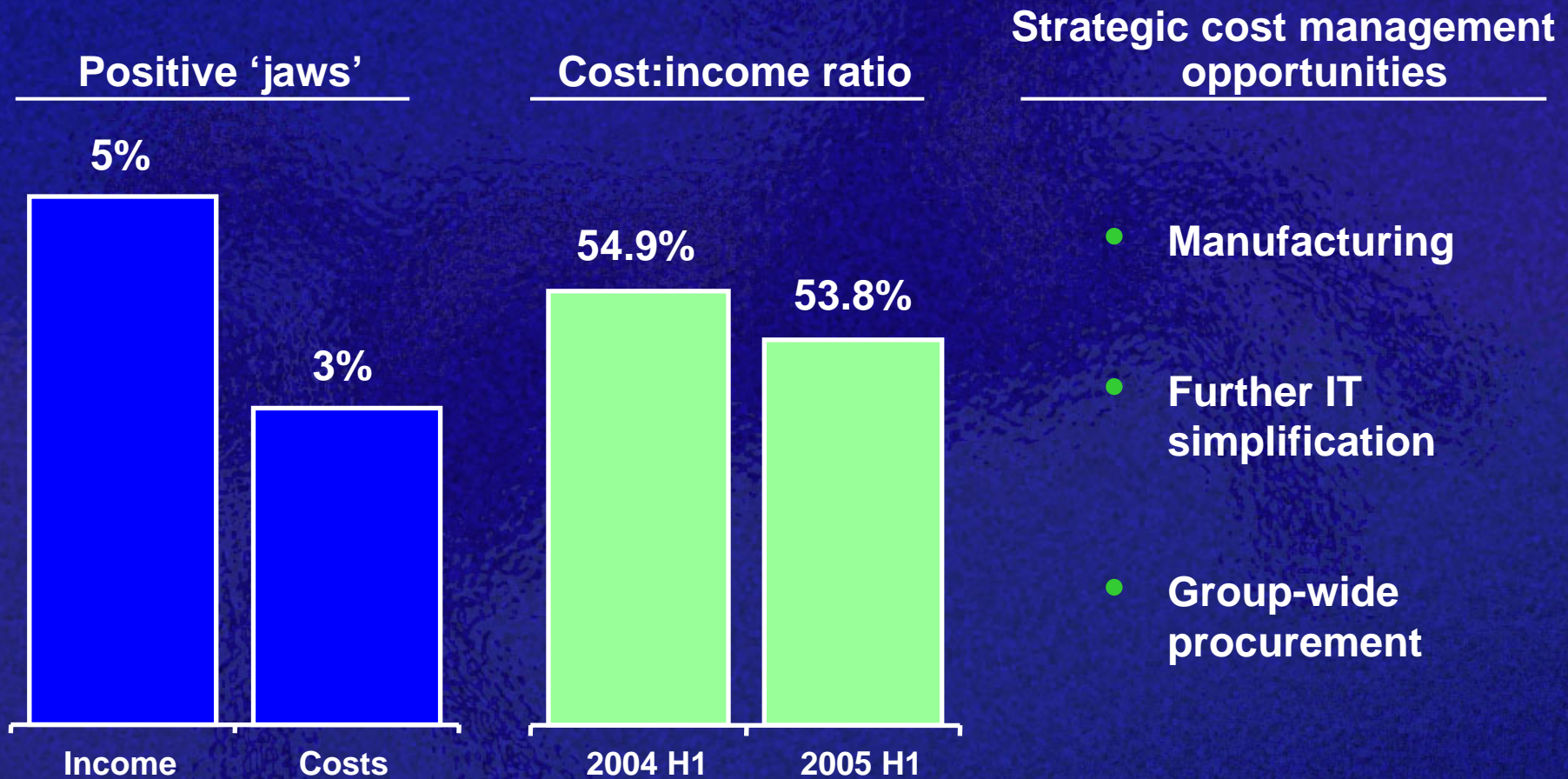
Opening our second chapter

Priorities to guide our future growth

- **Deepen customer relationships**
- **Improve our efficiency**
- **Enhance Group capabilities and processes**

Improving our efficiency*

Positive 'jaws' and an improving cost:income ratio



* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

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Extending Group capabilities

Providing a framework for sustaining faster growth,
through enhancing our competencies

- Finance
- Risk
- Performance management

Going forward

- **Focus on execution of our strategies**
 - Deepen and grow customer relationships
 - Leverage strengths
 - Enhance Group competencies
- **Continue to drive for efficiency**
- **Maintain our investment levels to drive future growth**

Summary

- **Delivering earnings growth**
 - All divisions showing revenue growth
 - Profits up
 - Good returns maintained
- **Continued good progress in execution of organic growth strategies**
- **Significant opportunities for growth**

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.