

Lloyds TSB Group plc

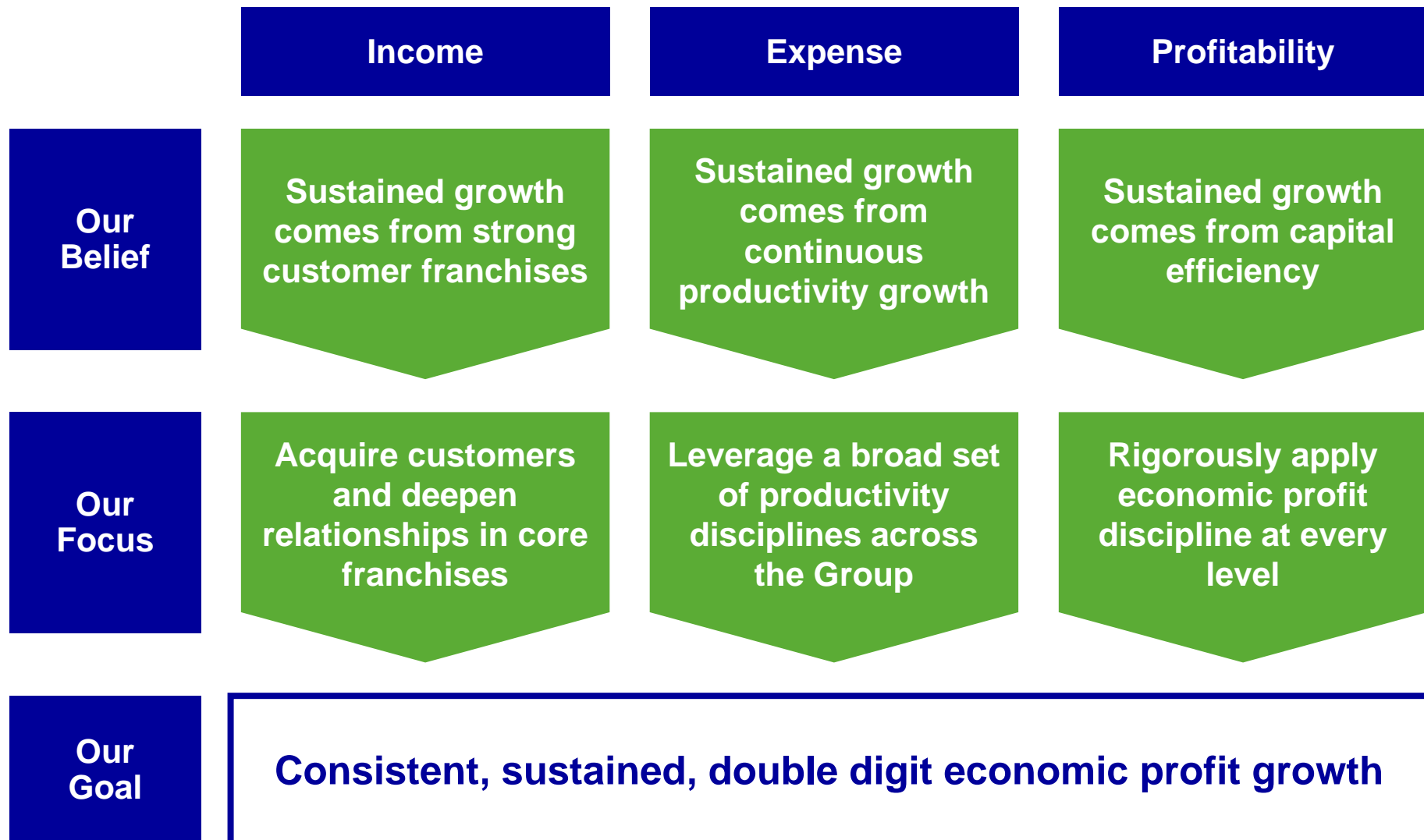
**Merrill Lynch
Banking & Insurance Conference
London
2 October 2007**

**Eric Daniels
Group Chief Executive**

A robust and conservative business model

- **A business model for high quality, sustained growth**
- **Broad based revenue and earnings growth**
- **Accelerating profit momentum; improving returns**
- **Strong profit growth in each division**
- **Well positioned to deliver double-digit economic profit growth**

A business model for high quality, sustained growth

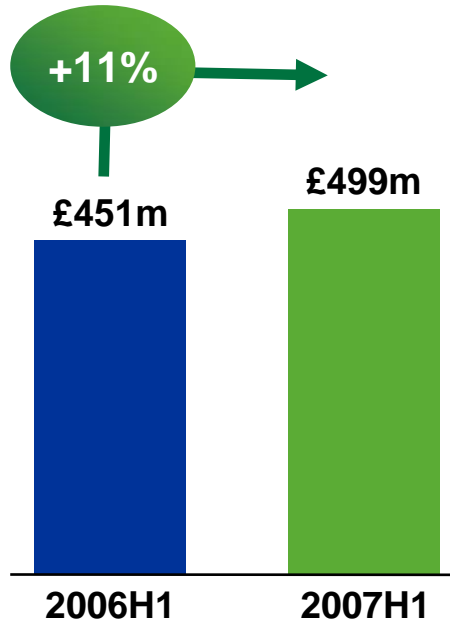


Delivering double-digit profit growth in each division

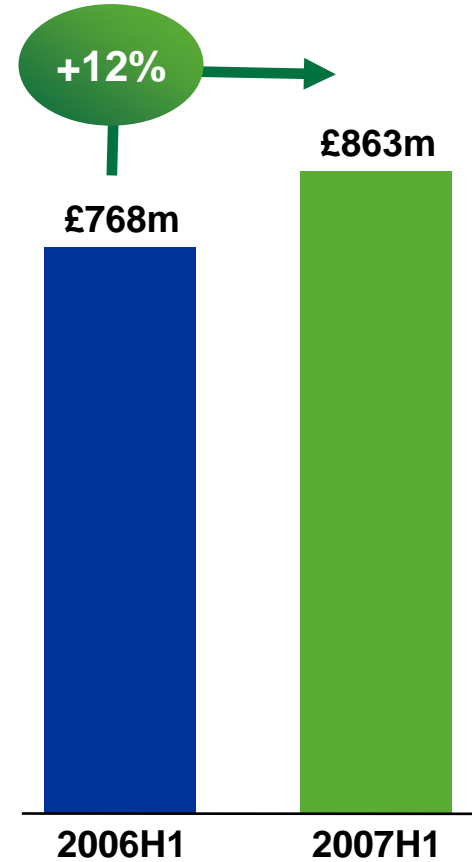
UK Retail Banking



Insurance & Investments*



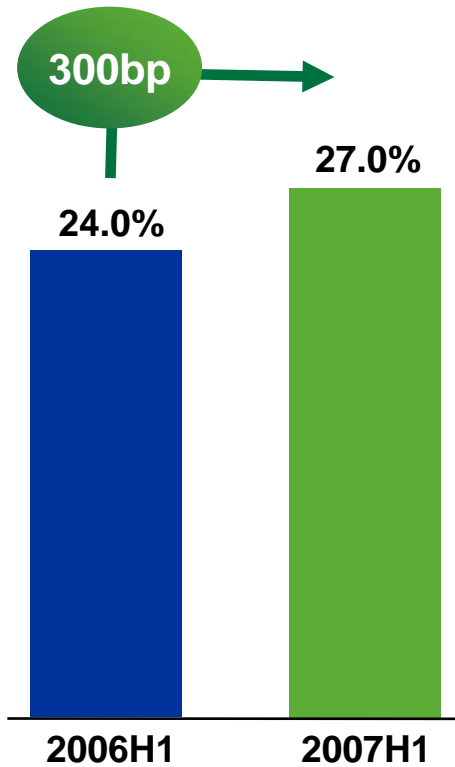
Wholesale & International Banking



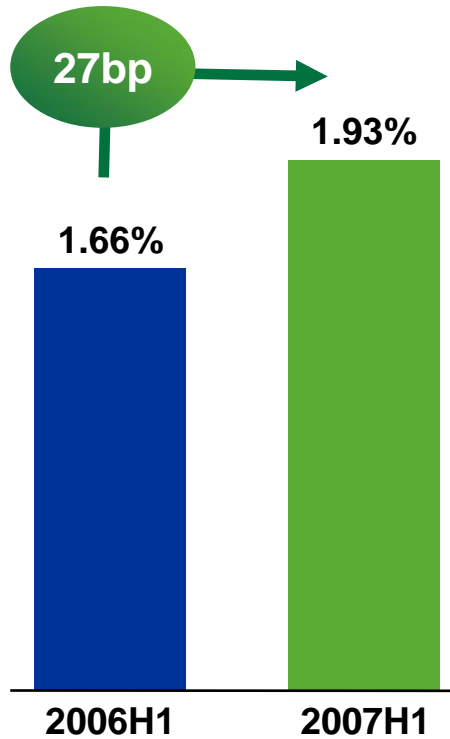
* excluding volatility, and impact of surplus capital repatriation to Group

Delivering growth AND returns

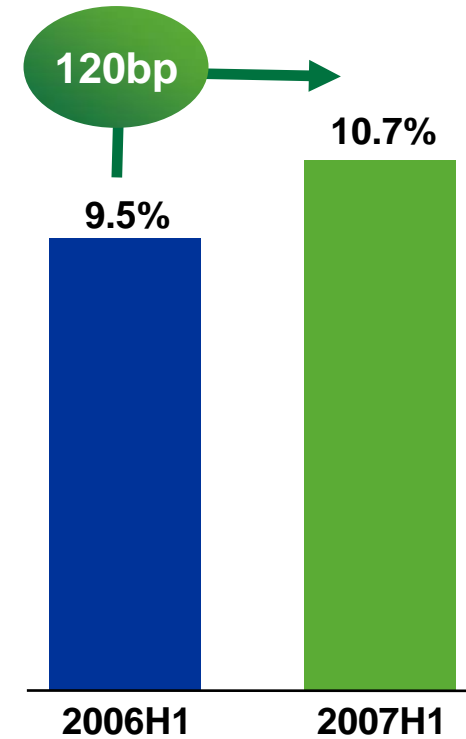
Post-tax Return
on Equity*



Post-tax Return on
Risk-weighted Assets*



Post-tax Return
on EEV*



* excluding volatility

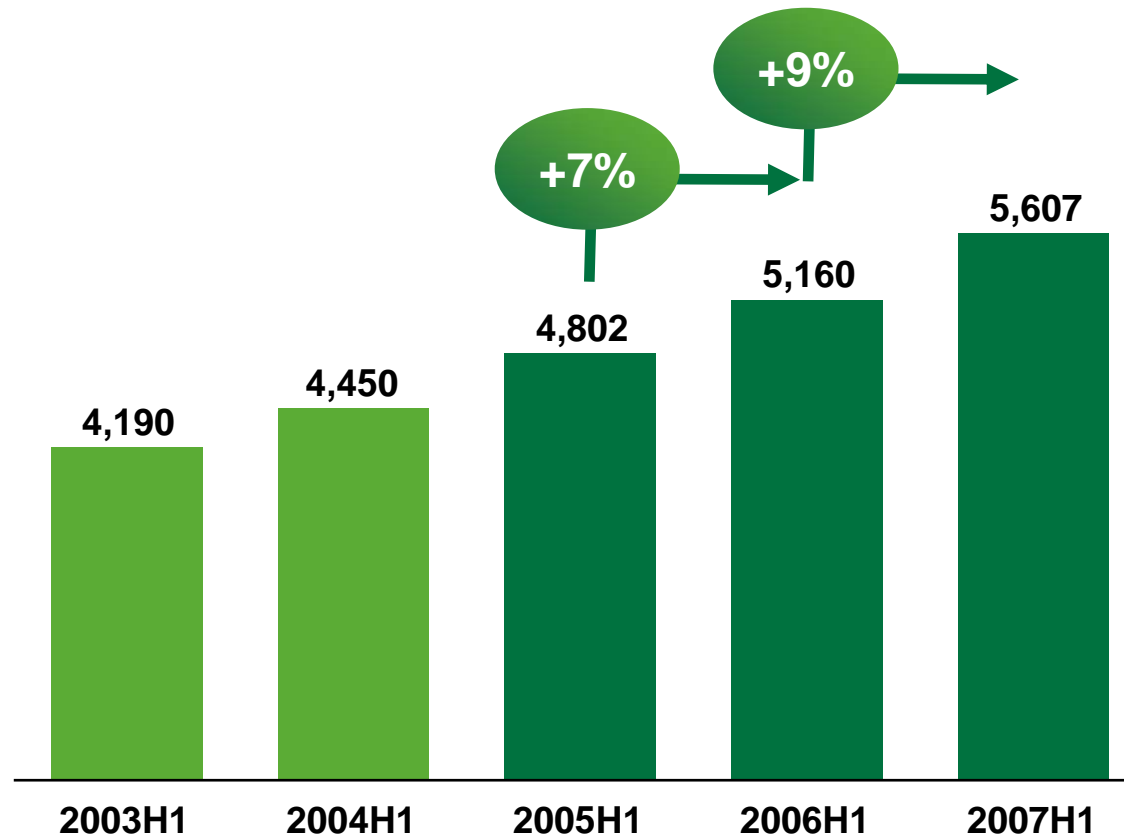
2007H1 results in longer term context

Delivering on our strategy Confidence in future delivery

- **Improved top line growth**
 - **Still big opportunity in our franchises**
- **Structurally improving productivity**
 - **Positive jaws *and* investment in future growth**
- **Double-digit economic profit growth**
 - **Key to strong shareholder returns**
- **Growing a strong dividend**
 - **Capital efficient future growth**

Improved income growth

Income (£m)*

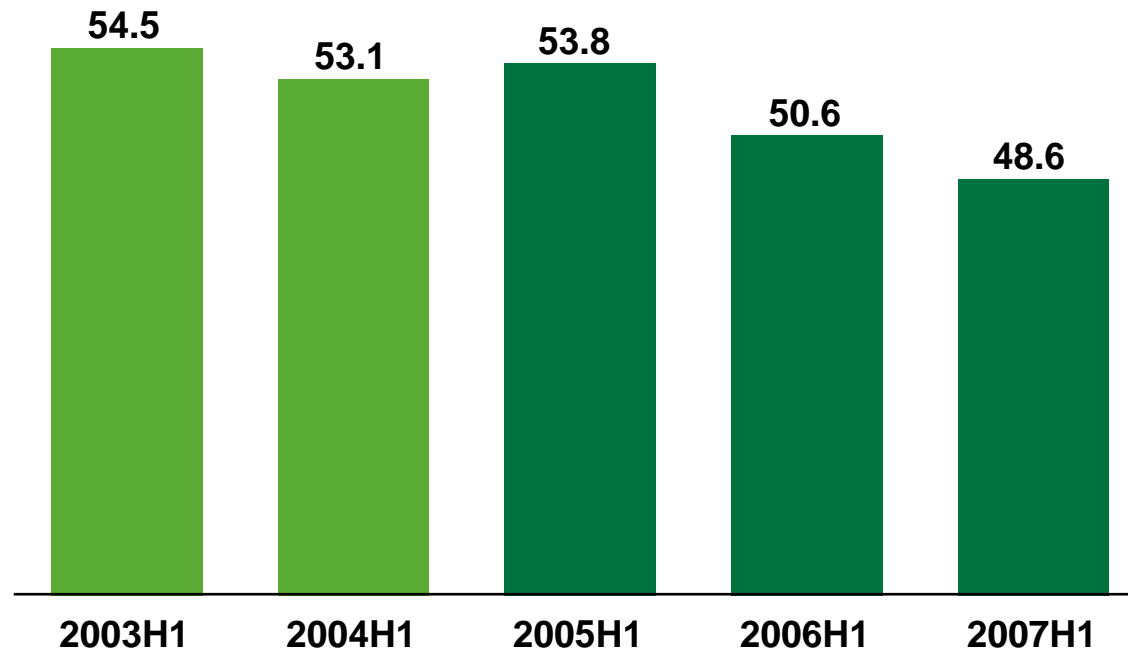


* 2003-4 figures on a UK GAAP basis excluding discontinued operations. 2005-7 figures are on a Full IFRS basis. All figures exclude volatility



Sustained productivity improvement

Cost:income ratio (%)*



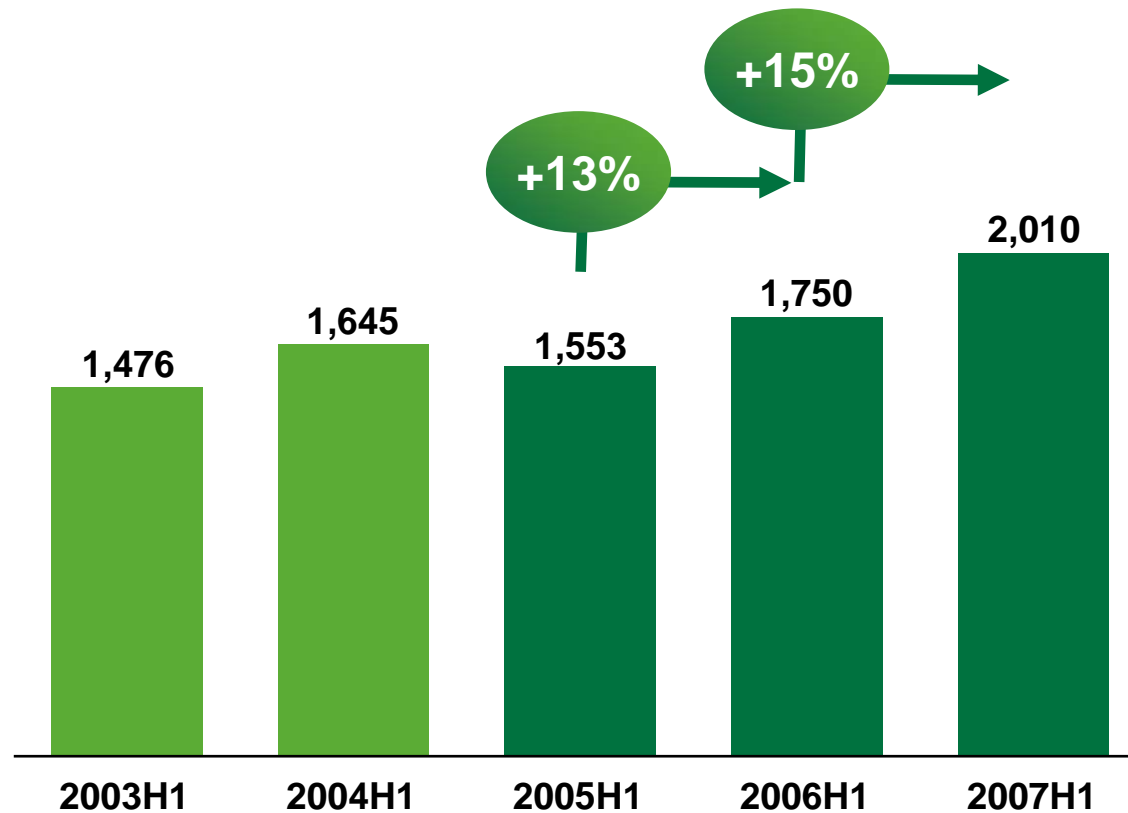
* 2003-4 figures on a UK GAAP basis excluding discontinued operations. 2005-7 figures are on a Full IFRS basis. All figures exclude volatility and settlement of overdraft claims



Lloyds TSB

Accelerating profit growth

PBT (£m)*



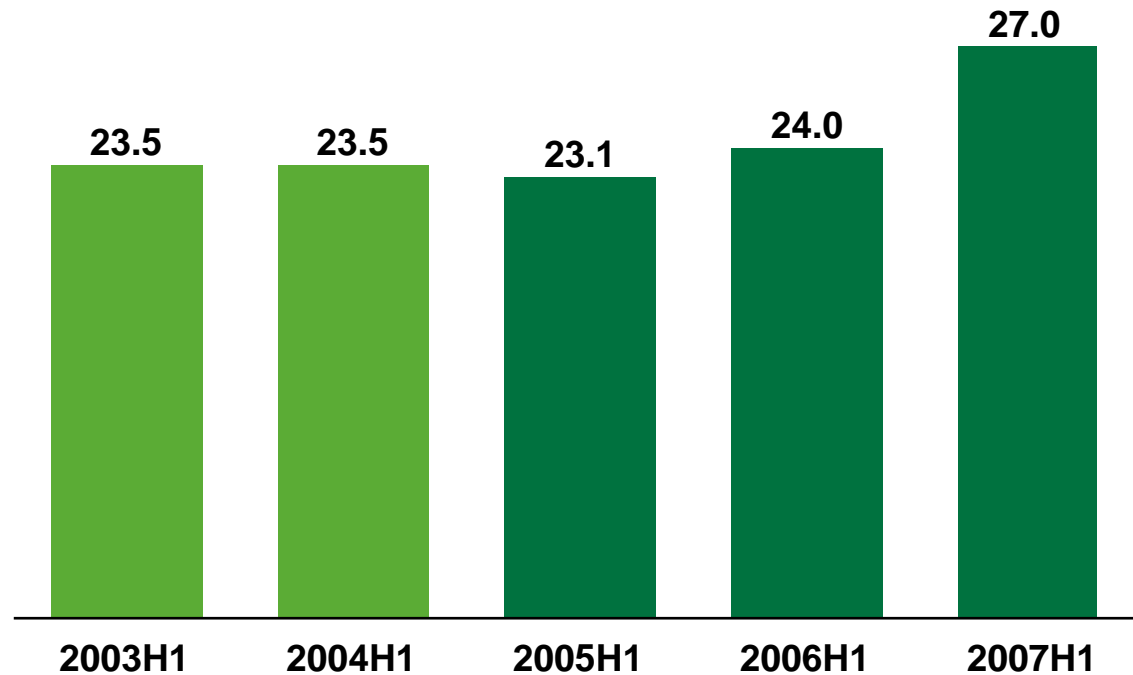
* 2003-4 figures on a UK GAAP basis excluding discontinued operations. 2005-7 figures are on a Full IFRS basis. All figures exclude volatility



Lloyds TSB

Consistently high returns

RoE (%)*



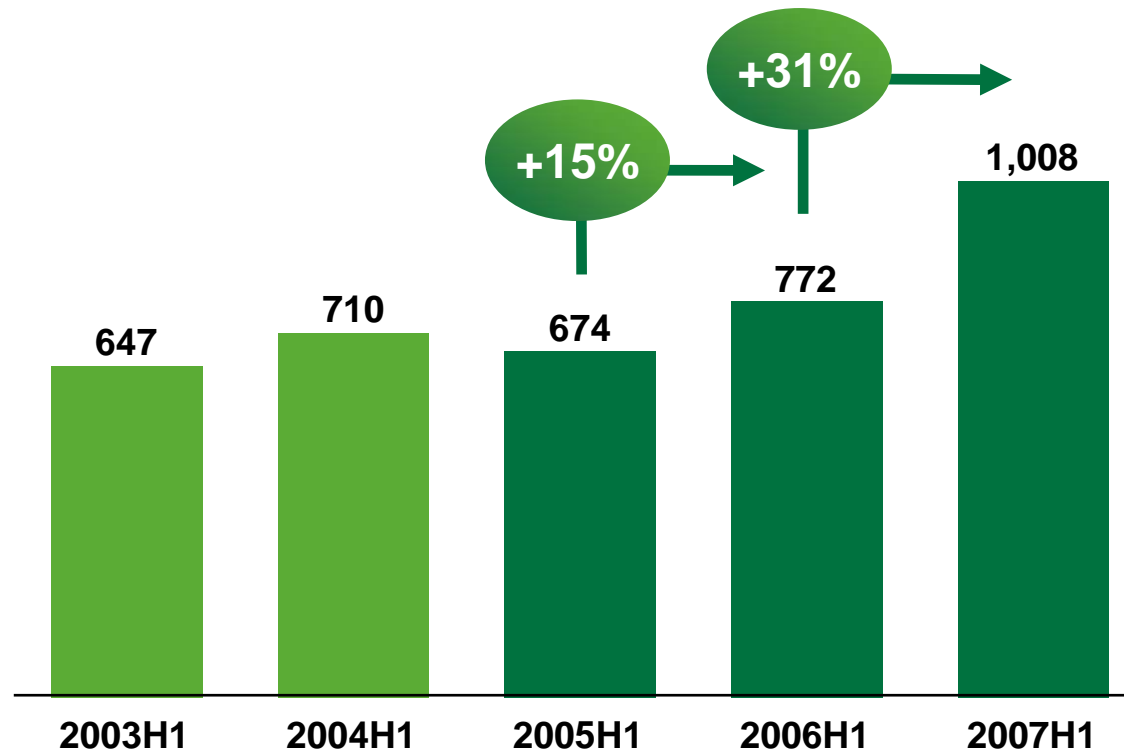
* 2003-4 figures on a UK GAAP basis excluding discontinued operations. 2005-7 figures are on a Full IFRS basis. All figures exclude volatility



Lloyds TSB

Double digit economic profit growth

Economic profit (£m)*



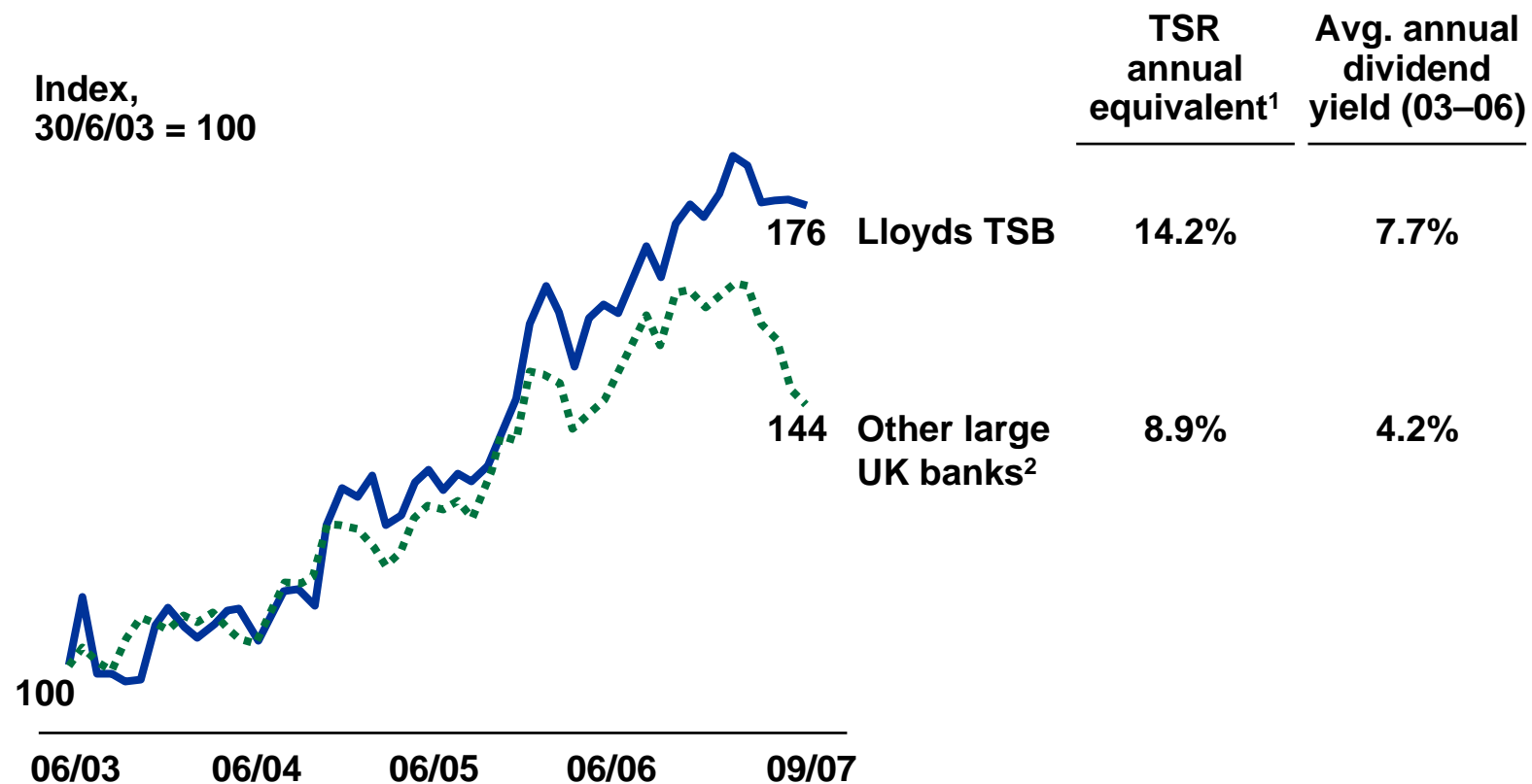
* 2003-4 figures on a UK GAAP basis excluding discontinued operations. 2005-7 figures are on a Full IFRS basis. All figures exclude volatility



Lloyds TSB

Strong returns to shareholders

Total shareholder returns



Source: Bloomberg

¹ as at 28 September 2007; ² arithmetic average of Barclays, HBOS, HSBC and RBS

Dividend growth restored

Past policy: maintain strong dividend

- **Grow into our dividend**
 - **Build stable, predictable, lower risk business model**
 - **Focus on capital efficient growth**
- **Grow cover over time**

Future policy: progressive strong dividend

- **Grow our dividend**
 - **Leverage stable, predictable, lower risk business model**
 - **Continue to focus on capital efficient growth**
- **Grow cover over time**

Delivering on our strategy

Delivering what we said

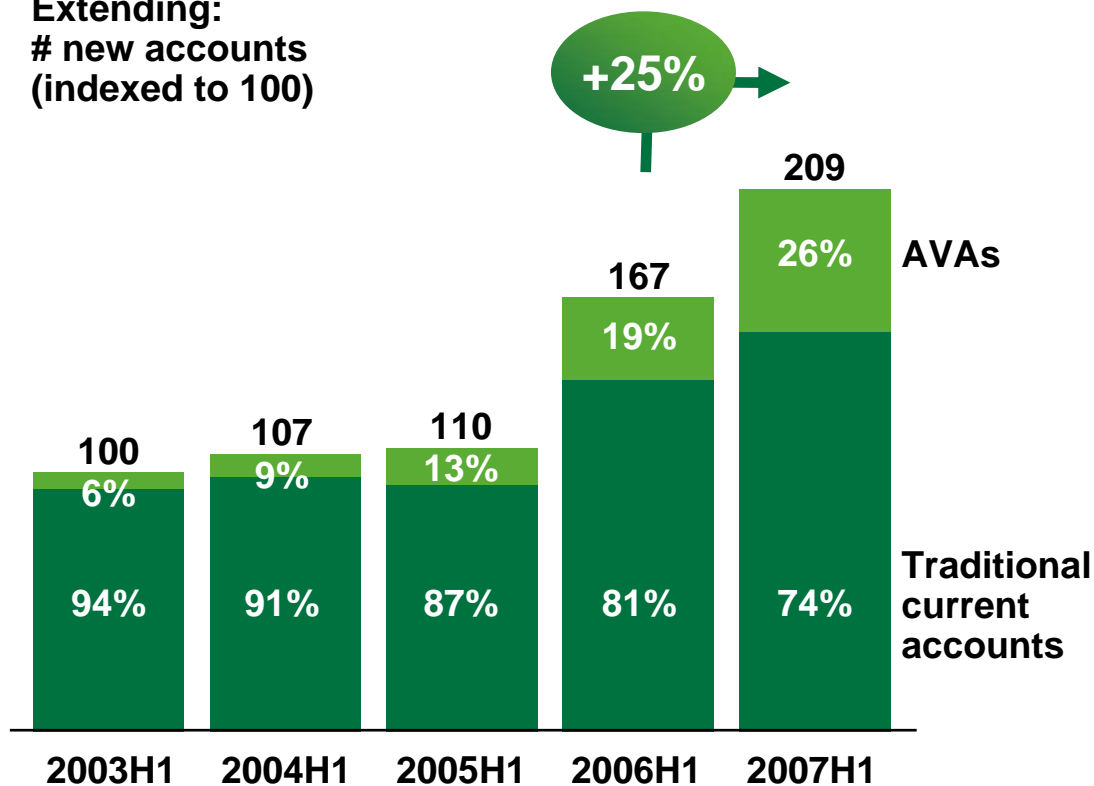
- **We have significant potential in our franchises**
- **We can structurally improve our productivity**
- **We can manage capital to fund growth**
- **We can put in place the capabilities and processes to achieve and sustain growth**

Still significant opportunities for future growth

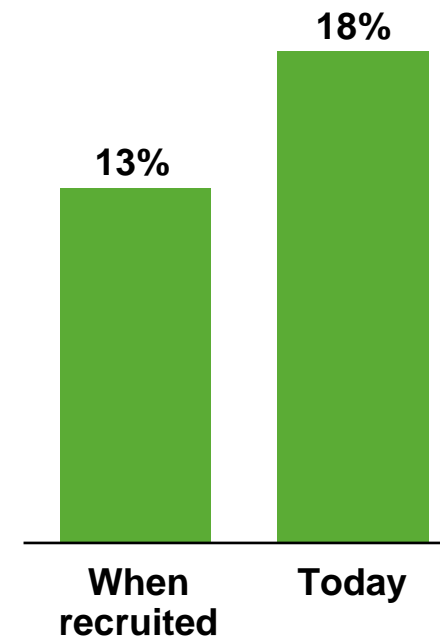
Realising the potential in our franchises

Example: extending and deepening the franchise, especially in higher value AVAs

Extending:
new accounts
(indexed to 100)



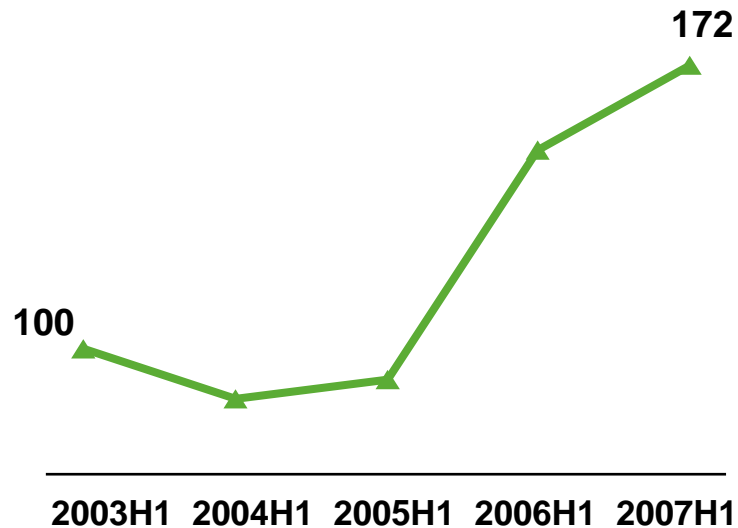
Deepening:
2005 H1 cohort, %
customers with AVA



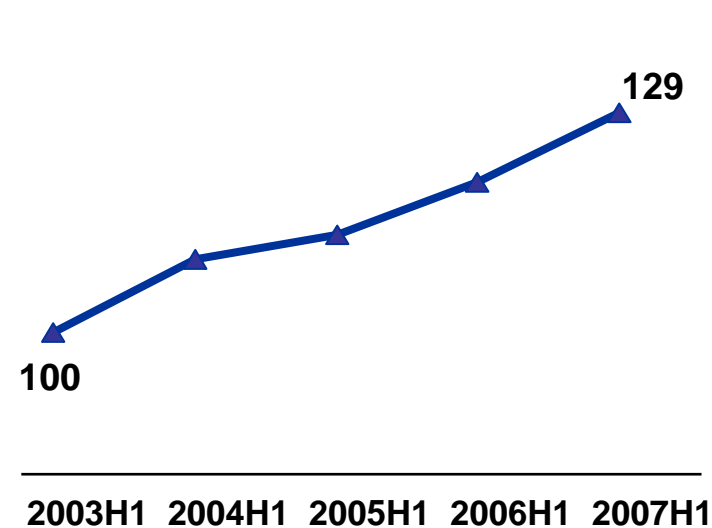
Realising the potential in our franchises

Example: capturing the savings and investment opportunity within our franchise

I&I bancassurance sales¹
(indexed to 100)



Net inflows of savings balances²
(indexed to 100)



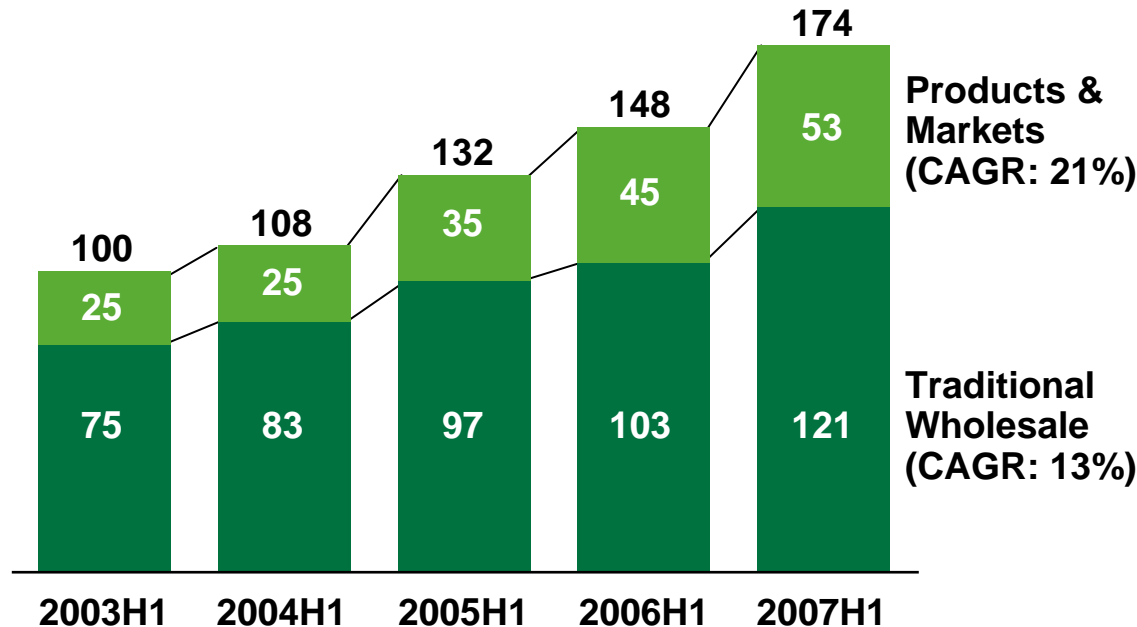
¹ sales in APE as PVNBP only available 2006H1 and 2007H1

² includes bank savings, Wealth Management and C&G savings

Realising the potential in our franchises

Example: growing Wholesale businesses through new product areas and improved cross sell

Corporate & Commercial businesses income
(indexed to 100)




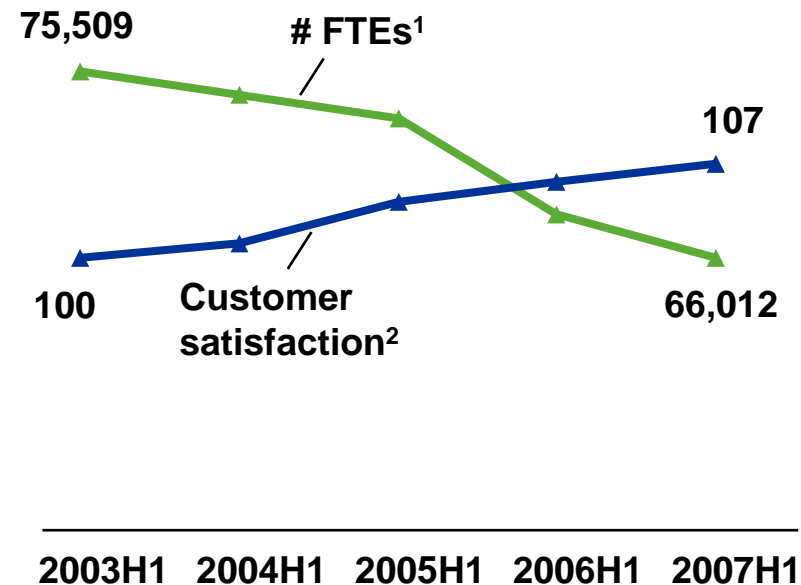
- Wholesale cross-sell¹ up 47% since 2005

¹ income from referrals between W&IB business units

Structurally improving our productivity

Example: managing expenses and improving customer service

- Reduced error rates through extending 'sigma'
 - Extended 'lean' manufacturing programme
- 
- Estimated annual cost savings: £250–350 million



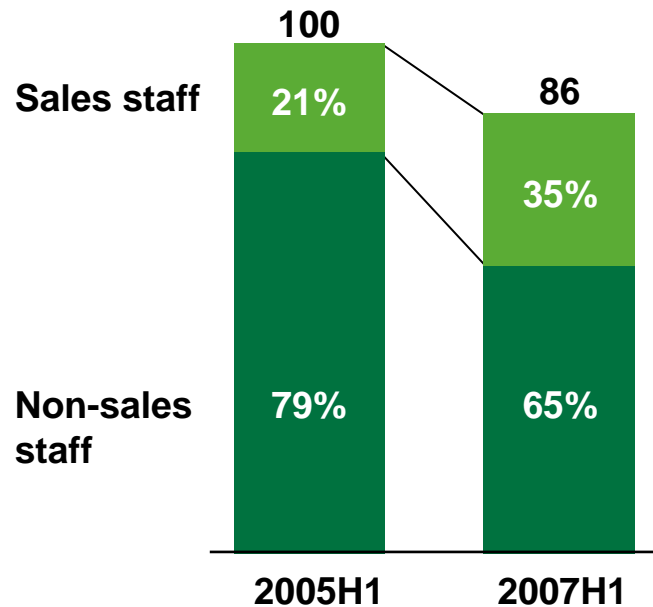
¹ on a continuing basis

² average CARE scores for UKRB, Commercial, Corporate Banking (from 2003H2), Scottish Widows and General Insurance (from 2003H2) indexed to 100

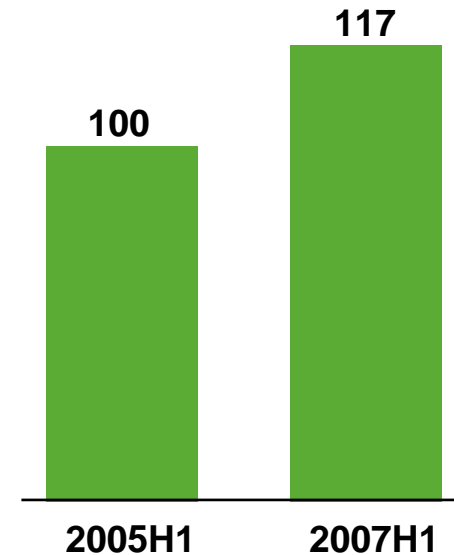
Structurally improving our productivity

Example: more efficient branch processes driving sales performance

UKRB # staff
(indexed to 100)



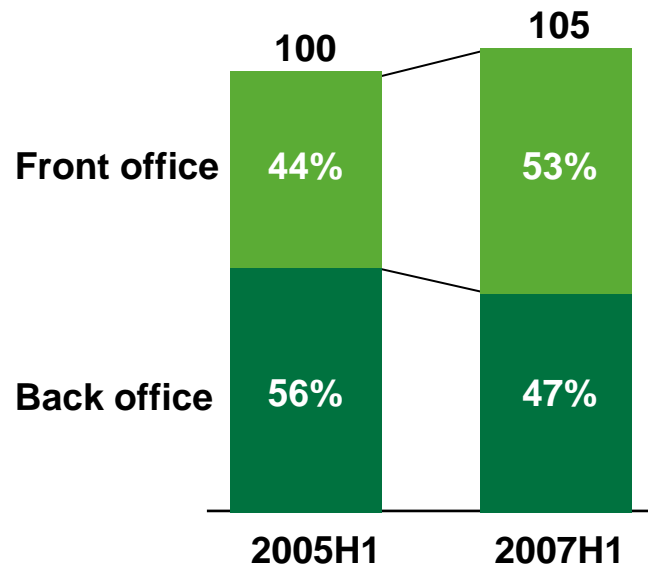
UKRB sales / sales staff
(indexed to 100)



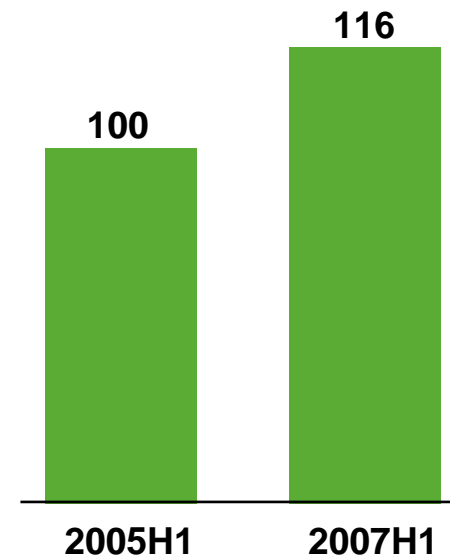
Structurally improving our productivity

Example: investing in people *and* productivity in Corporate Markets

Corporate Markets # staff
(indexed to 100)

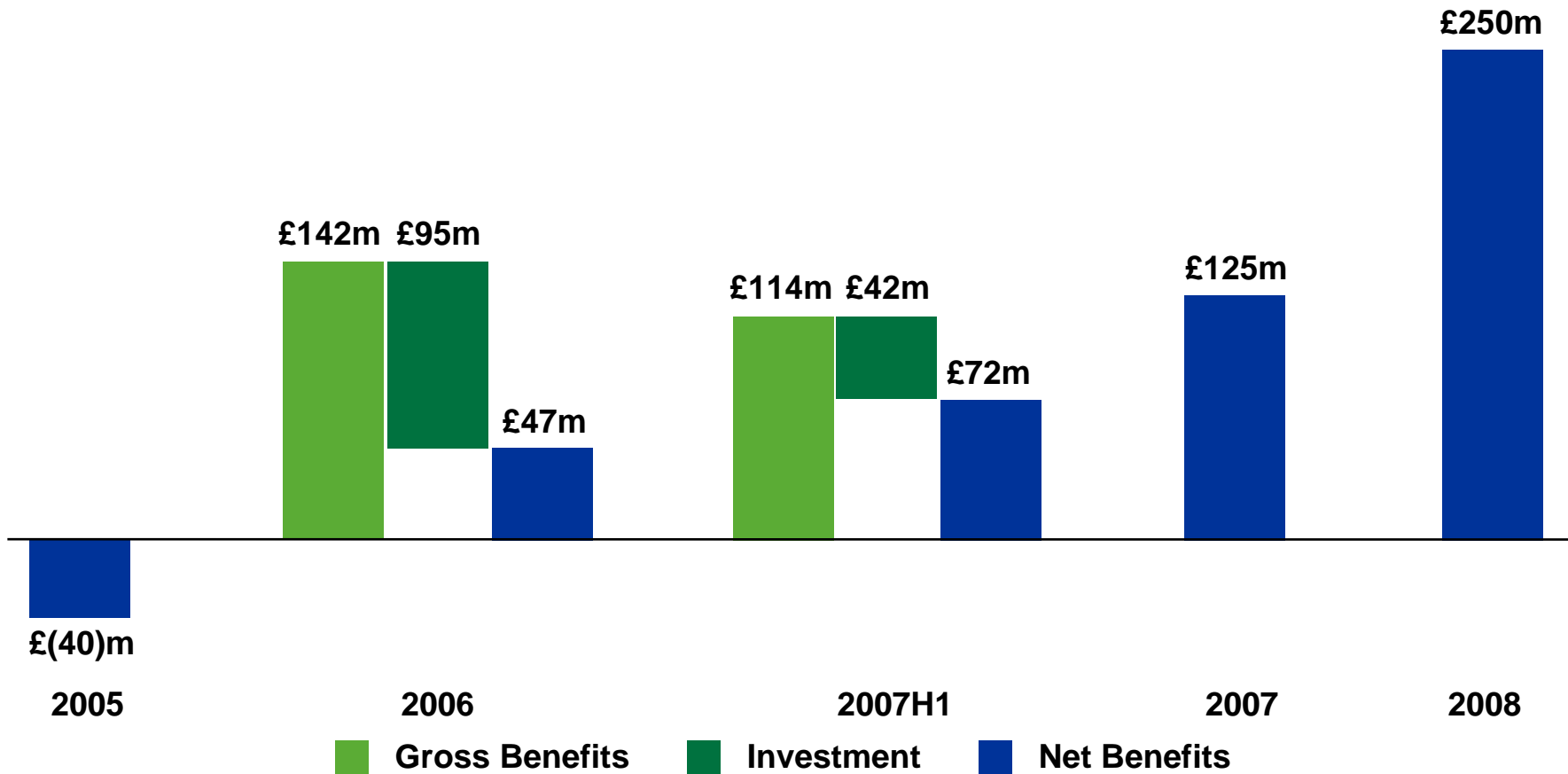


Corporate Markets income per
front office staff
(indexed to 100)

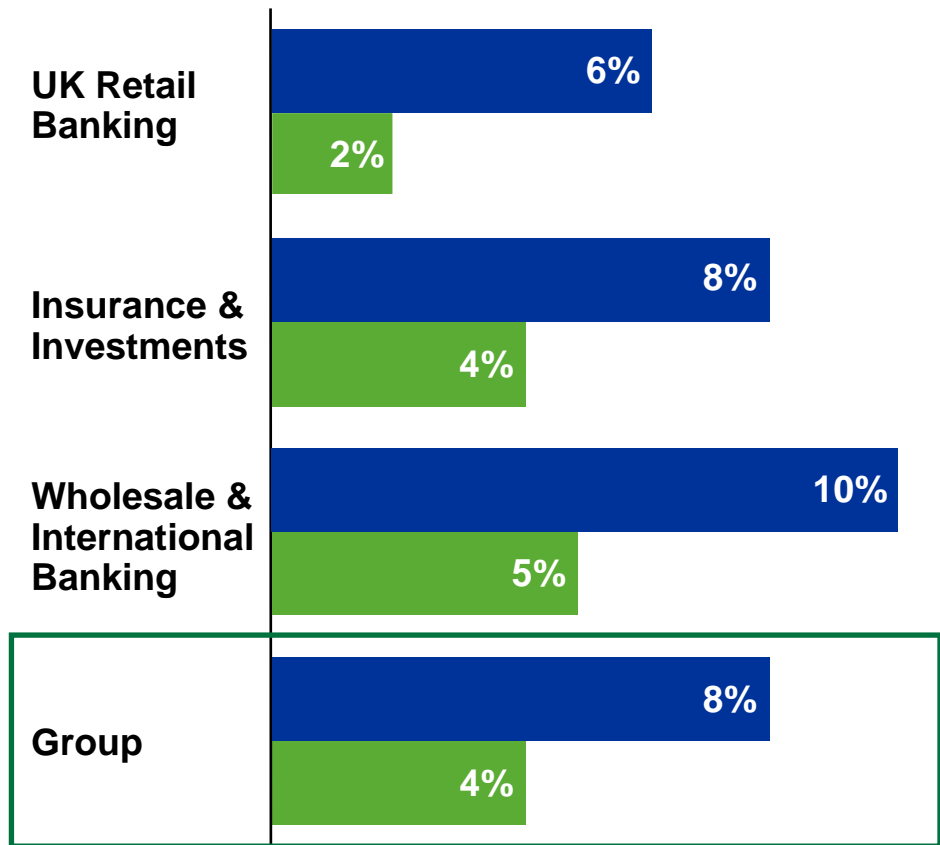


Productivity programme remains on track...

... to deliver £250 million pa net benefits in 2008



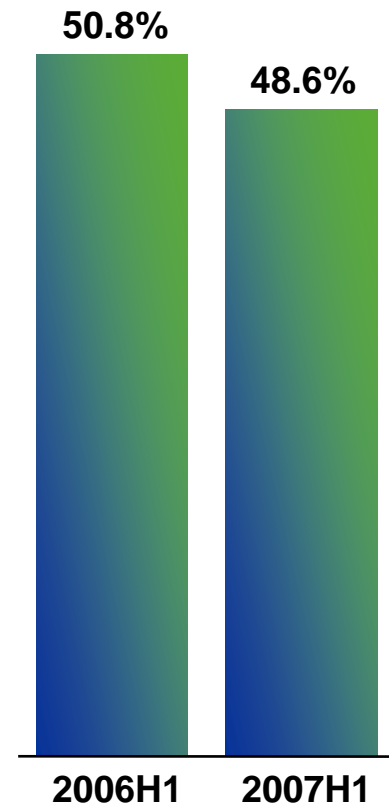
Income growth ahead of costs in all divisions*



C:I ratio improved 160bp

C:I ratio improved 240bp

Group Cost:Income Ratio



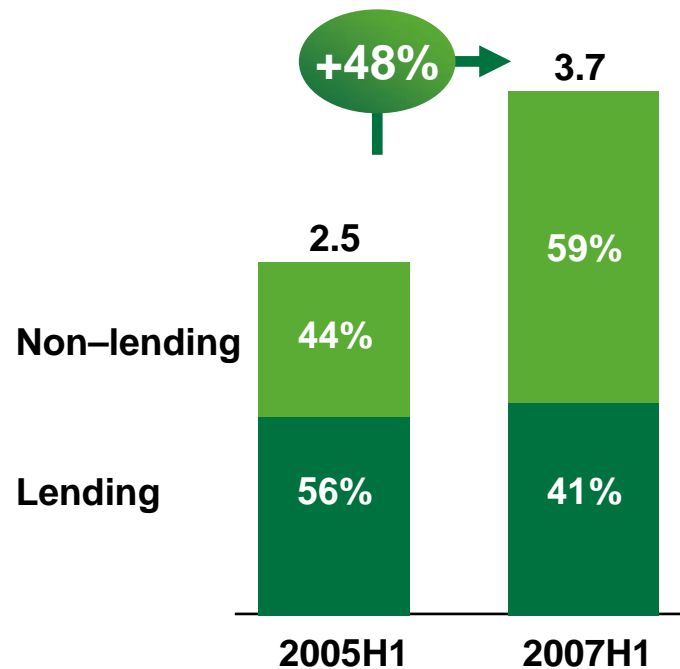
Income Costs

* excluding volatility, insurance grossing adjustments, settlement of overdraft claims and the impact of surplus capital repatriation

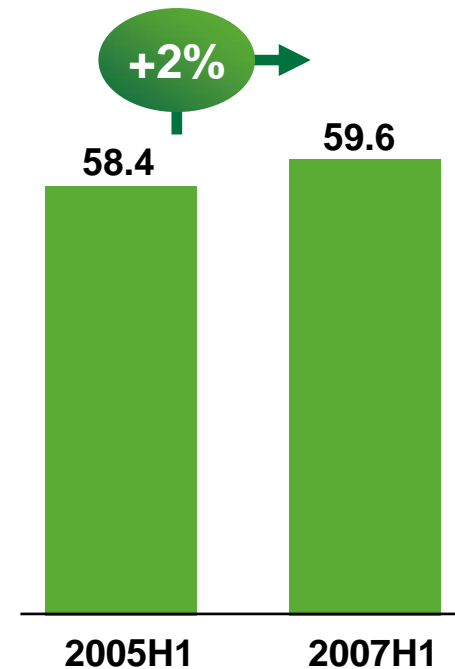
Managing capital to fund growth

Example: capturing the Savings & Investments opportunity drives capital efficient growth

of UKRB sales (m)



UKRB RWAs (£bn)¹

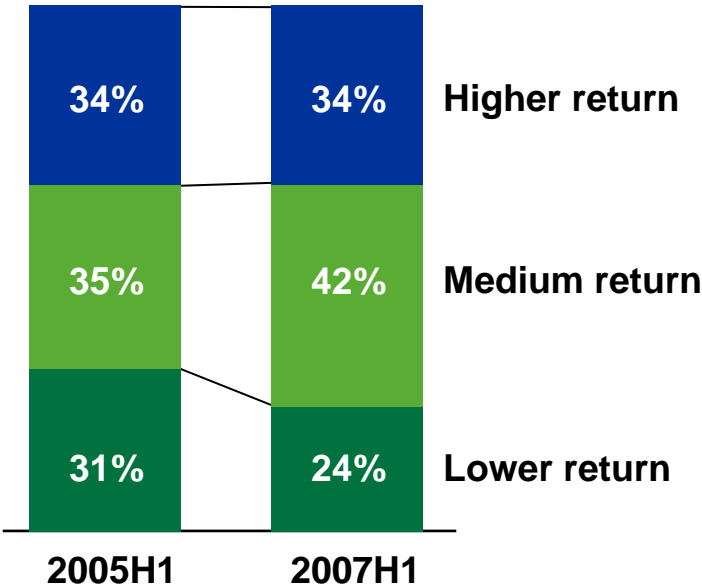


¹ post 2007 securitisation. Pre-securitisation: 2007H1 RWAs £66.2bn, 13% increase

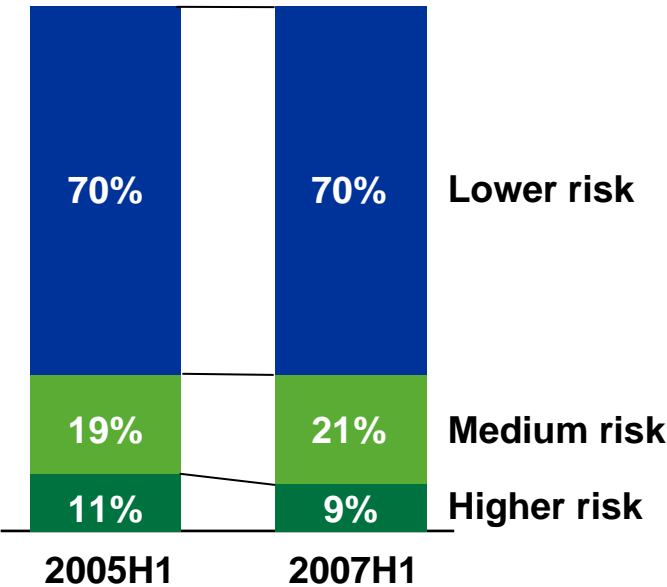
Managing capital to fund growth

Example: redirecting capital towards more profitable business in Wholesale and maintaining risk profile

Corporate & Commercial businesses RWAs



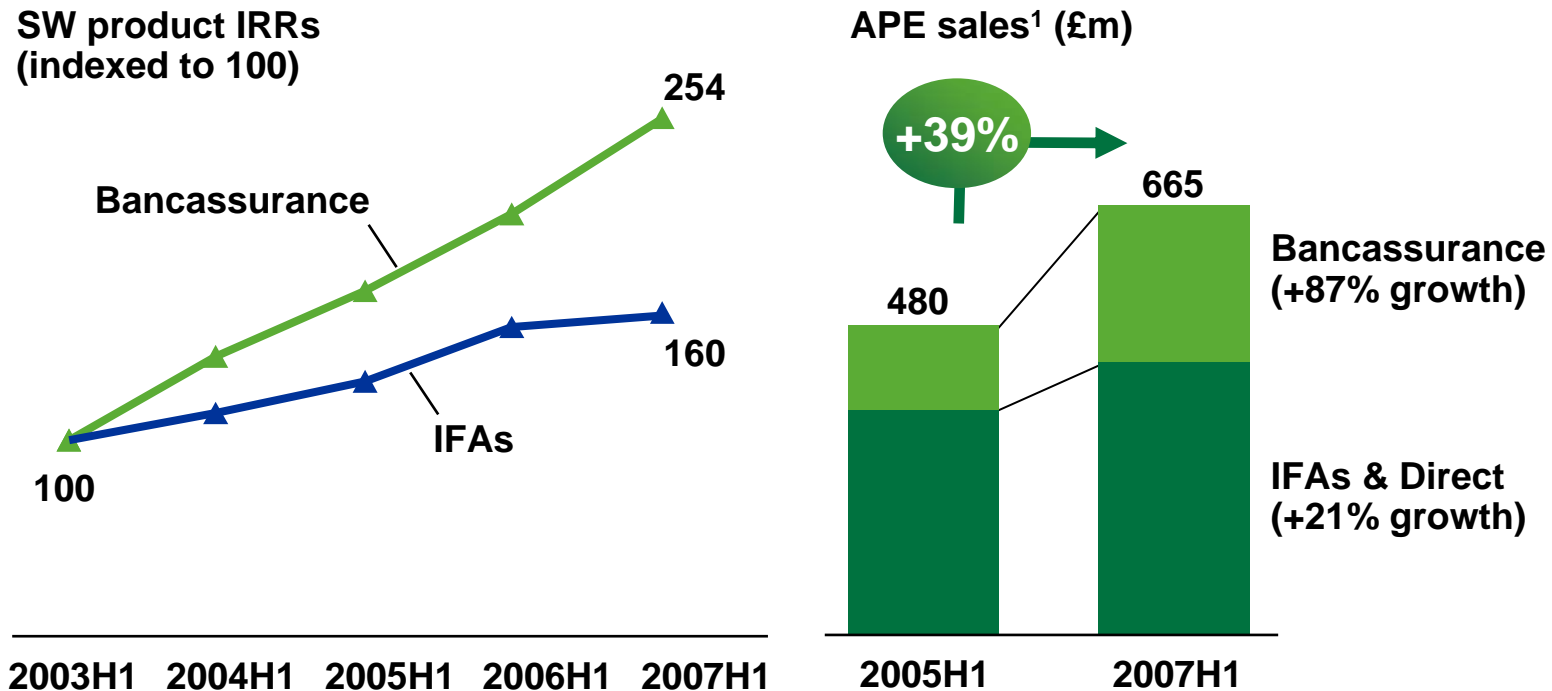
Corporate & Commercial businesses assets



Managing capital to fund growth

Example: Scottish Widows has achieved profitable growth and capital release

Focus on more capital efficient distribution channels



¹ sales in APE as PVNBP only available 2006H1 and 2007H1; includes managed funds

Delivering accelerating profit momentum

Continuing to build earnings momentum

- **Strong sales; improved revenue growth**
- **Substantially improved productivity**
- **Wide positive jaws**
- **Strong profit growth in each division**

Sustaining high returns

- **Improving cost:income ratio**
- **Improving return on risk-weighted assets**
- **ROE remains high, and improving**
- **Excellent economic profit growth**

Maintaining a robust capital position and dividend

- **Capital ratios robust**
- **Improving dividend cover**
- **Interim dividend increased by 5%**

Headroom for growth

Strong customer franchises

- Improving customer service
- Understanding and meeting customer needs
- Increasing sales capacity

Continuous productivity growth

- Applying 'lean' and other productivity techniques
- Creating room for increased investment

Capital efficiency

- Active balance sheet management
- Rigorous application of economic profit disciplines

Lloyds TSB Group plc

**Merrill Lynch
Banking & Insurance Conference
London
2 October 2007**

**Eric Daniels
Group Chief Executive**

Forward looking statements

This document contains forward looking statements with respect to the business, strategy and plans of the Lloyds TSB Group, its current goals and expectations relating to its future financial condition and performance. 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. The 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 business and equity risk in its insurance businesses, changing demographic trends, unexpected changes to regulation, the policies and actions of governmental and regulatory authorities in the UK or jurisdictions outside the UK, including other European countries and the US, changes in customer preferences, competition and other factors. Please refer to Lloyds TSB Group plc's latest Annual Report on Form 20-F filed with the US Securities and Exchange Commission and to any subsequent reports furnished by the 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 at the date of the announcement, and the Group undertakes no obligation to update any of its forward looking statements.