

**Lloyds TSB Group plc**

**Morgan Stanley European Banks  
& Financials Conference**

**1 April 2008**

**London**

**Eric Daniels**

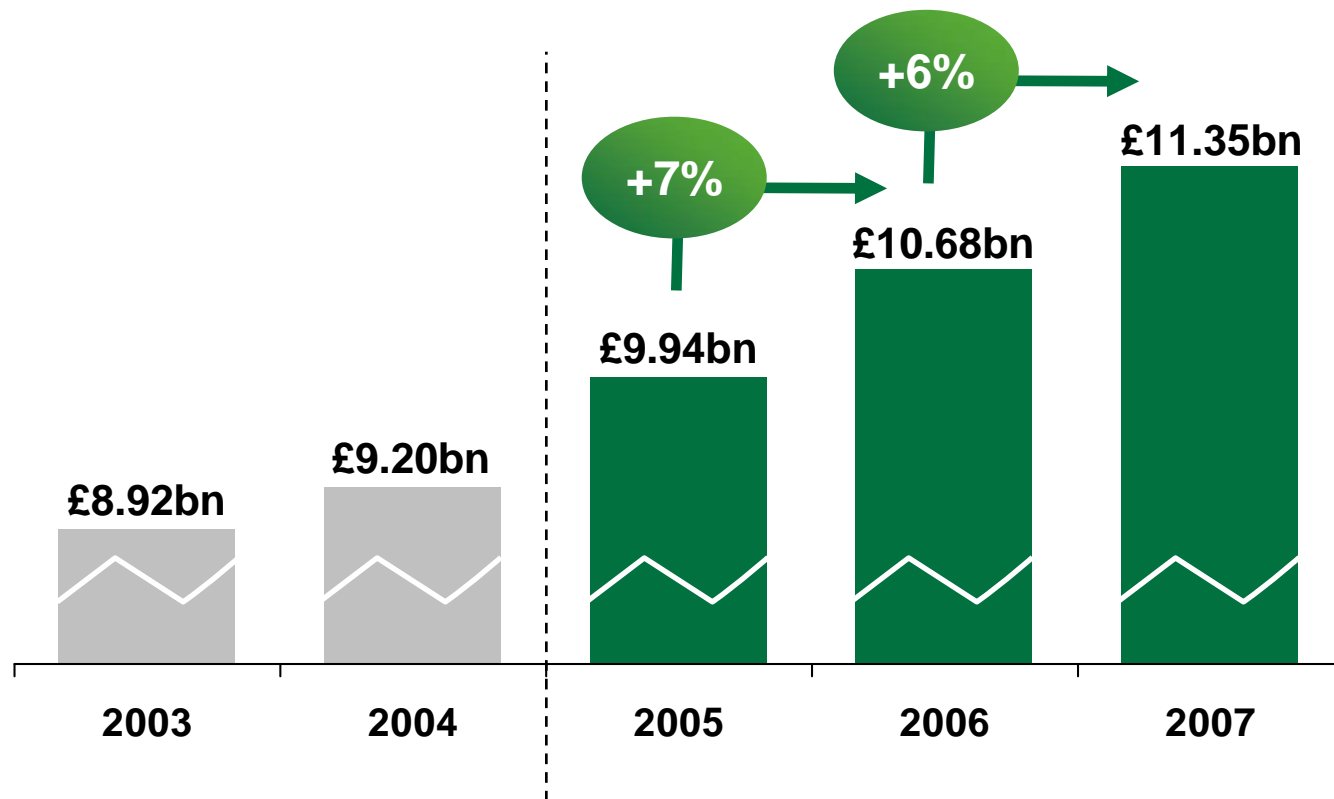
**Group Chief Executive**

## 2007 results in longer term context

- **Strong momentum**
- **Significant growth potential**
- **High quality sustainable earnings**

# Strong momentum

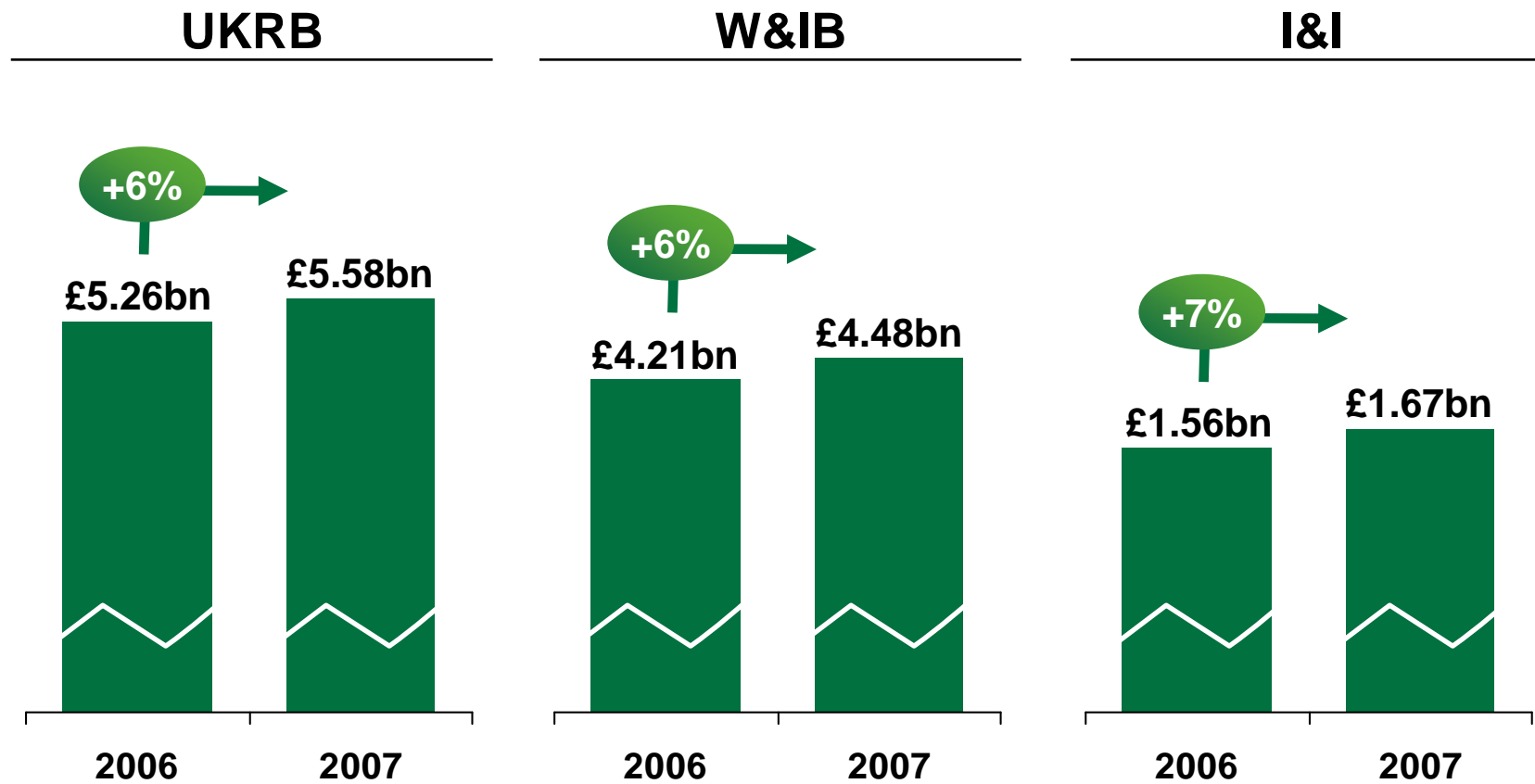
## Sustained income growth<sup>1</sup>



1. 2003-4 figures on a UK GAAP basis excluding discontinued operations. 2005-7 figures are on a full IFRS basis, excluding volatility, insurance grossing, one-off items and market dislocation impact

# Strong momentum

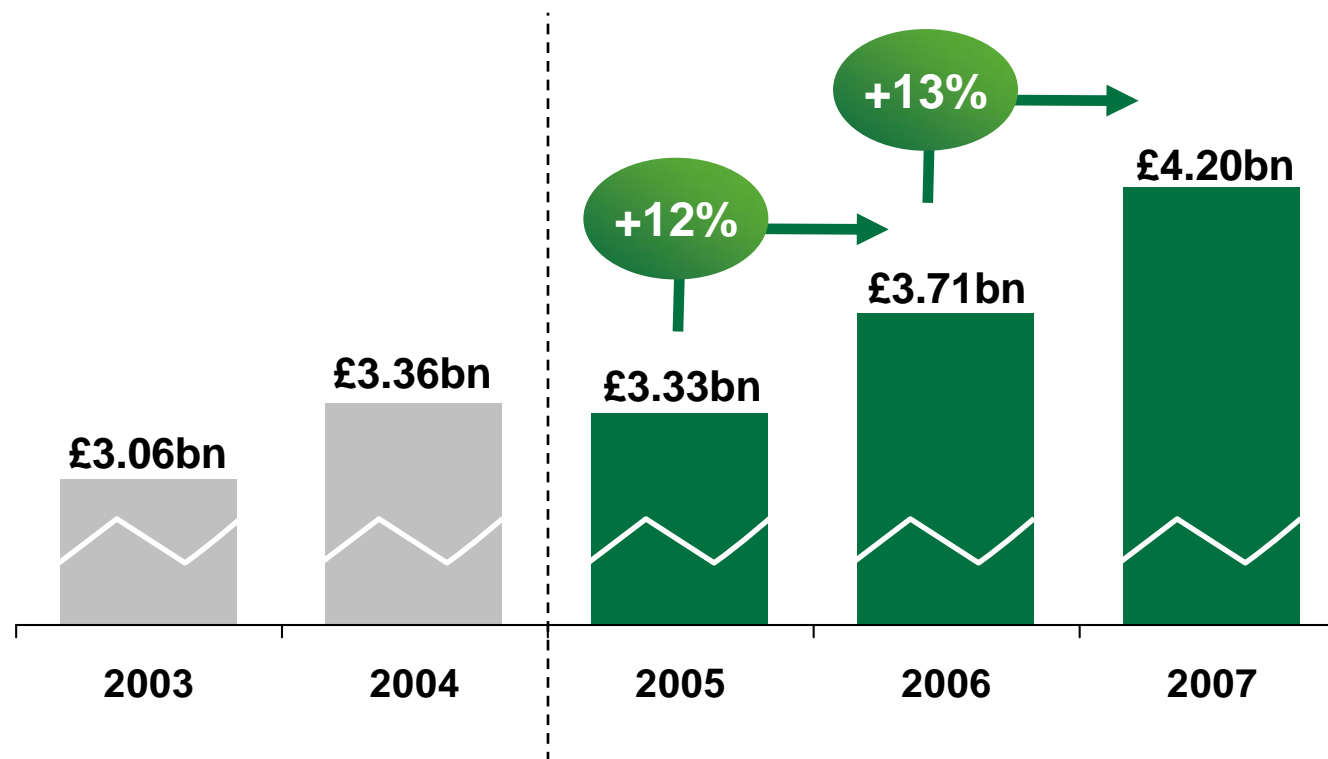
## Strong income growth in all divisions<sup>1</sup>



1. All figures exclude volatility, insurance grossing, the impact of surplus capital repatriation in I&I and market dislocation impact

# Strong momentum

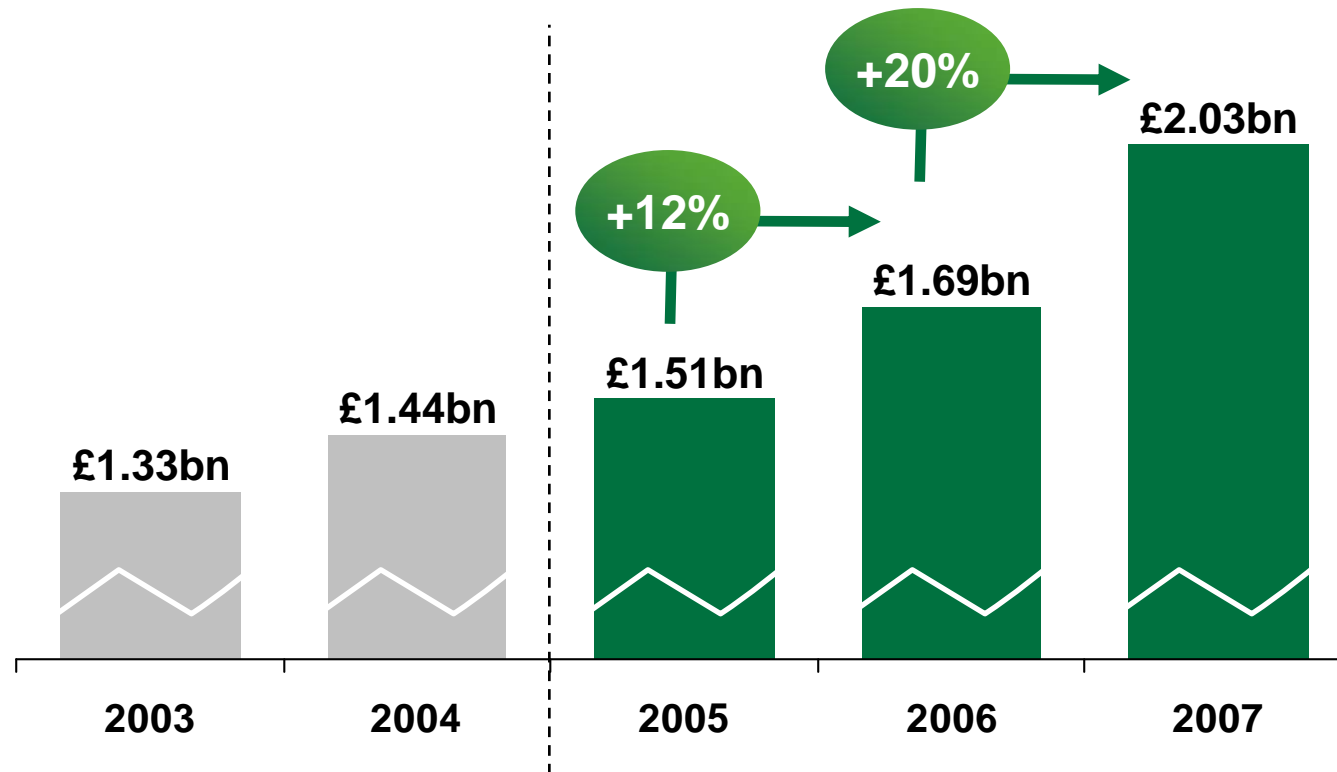
## Accelerating PBT growth<sup>1</sup>



1. 2003-4 figures on a UK GAAP basis excluding discontinued operations. 2005-7 figures are on a full IFRS basis, excluding volatility, insurance grossing, one-off items and market dislocation impact

# Strong momentum

## Accelerating economic profit growth<sup>1</sup>



1. 2003-4 figures on a UK GAAP basis excluding discontinued operations. 2005-7 figures are on a full IFRS basis, excluding volatility, insurance grossing, one-off items and market dislocation impact

# Significant growth potential

## Drivers of future profit growth

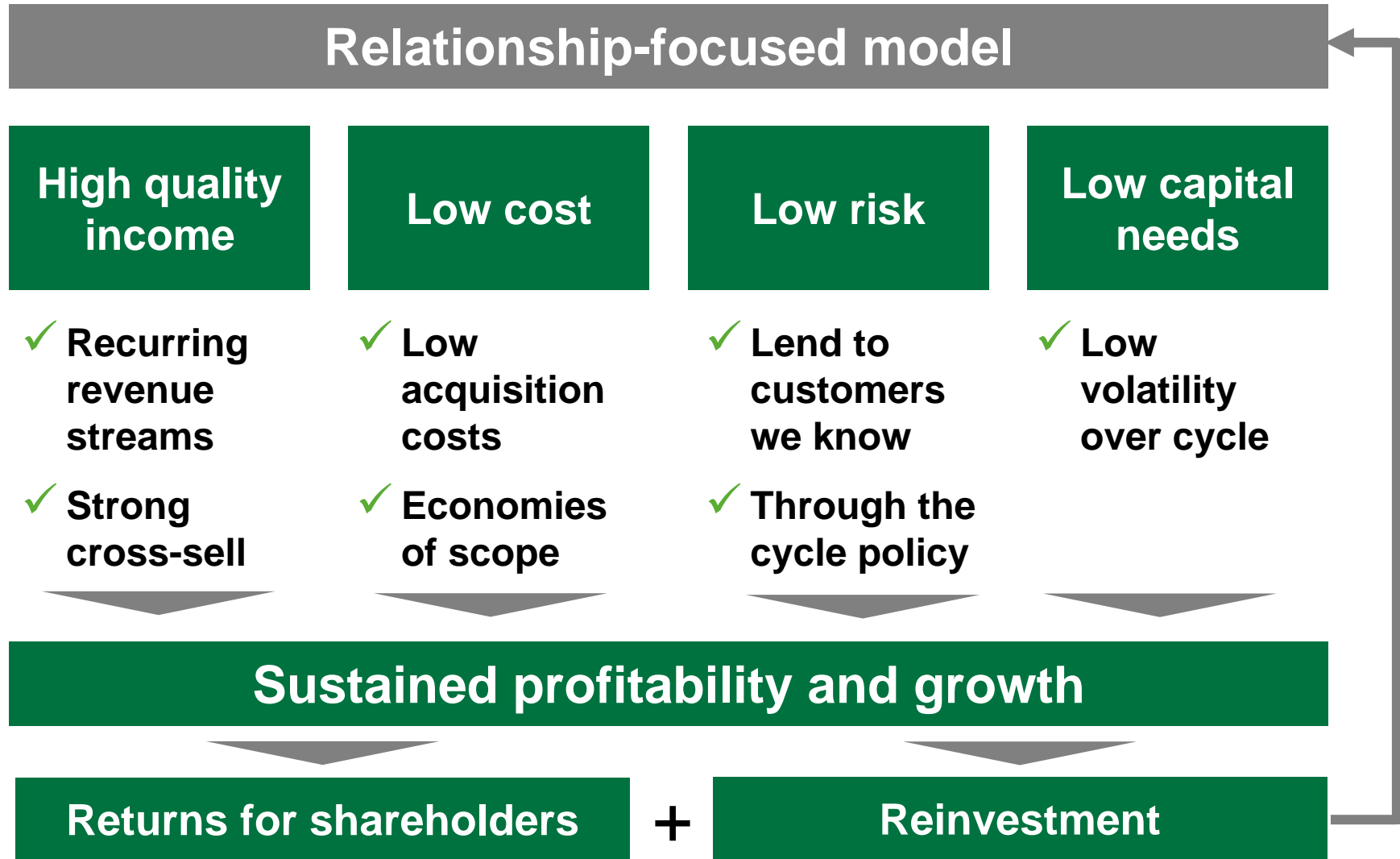
### Market growth

- ✓ 2<sup>nd</sup> largest economic profit pool
- ✓ High levels of household financial wealth
- ✓ Lowest unemployment in G7
- ✓ Good medium term economic performance
- ✓ Strong long term savings growth

### Market share growth

- ✓ We only have ~10% share of economic profit pool today
- ✓ Gaining share across target segments and products
- ✓ Relationship-focused model

# Significant growth potential

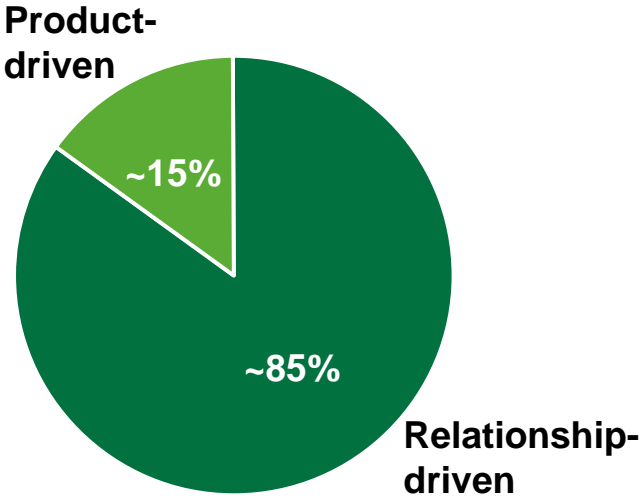


# High quality sustainable earnings

## UKRB: relationship-driven growth<sup>1</sup>

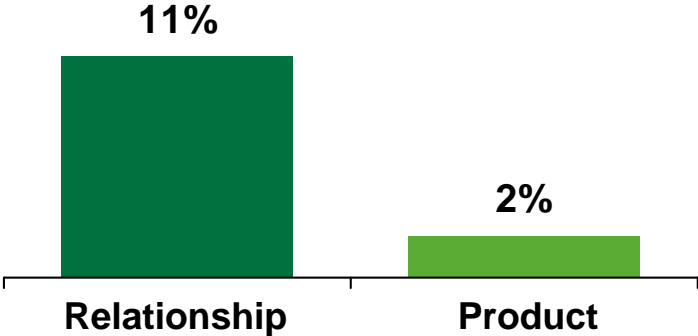
Where our profit comes from

% of 2007 PBT



Where our growth comes from


Income growth (2005 – 07)



1. Internal estimates

# High quality sustainable earnings

## UKRB: deep understanding of our customers

- **c.18 million customer records in UKRB**
  - **16 million transactions loaded per day**
  - **Average of 2,100 data points for each current account customer**
  - **9 terabytes of data**
  - **Global top quartile CRM<sup>1</sup>**
- 
- **We sell to need**
  - **We price to risk**
  - **We have early warning indicators**
    - **about individual customers**
    - **about broader behavioural trends**

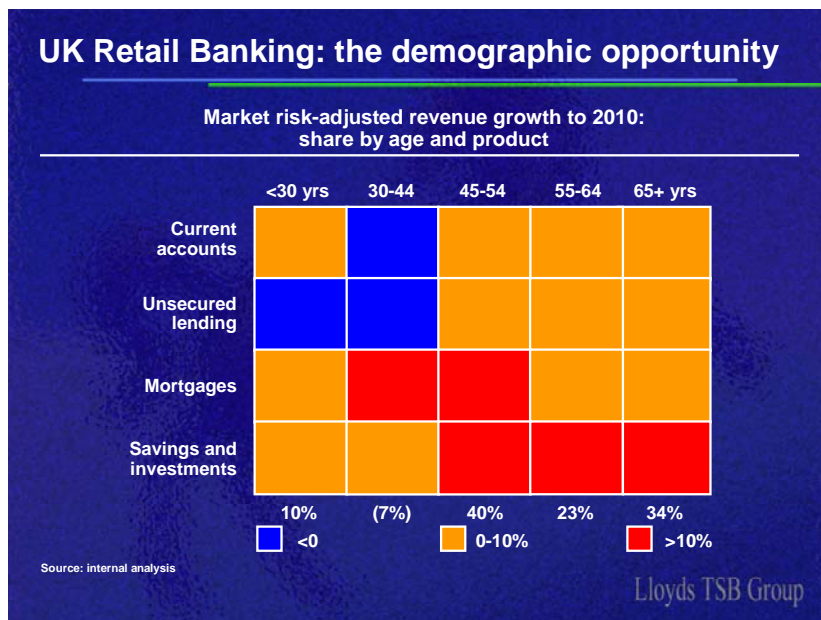
1. QCi

# High quality sustainable earnings

## UKRB: changing the mix

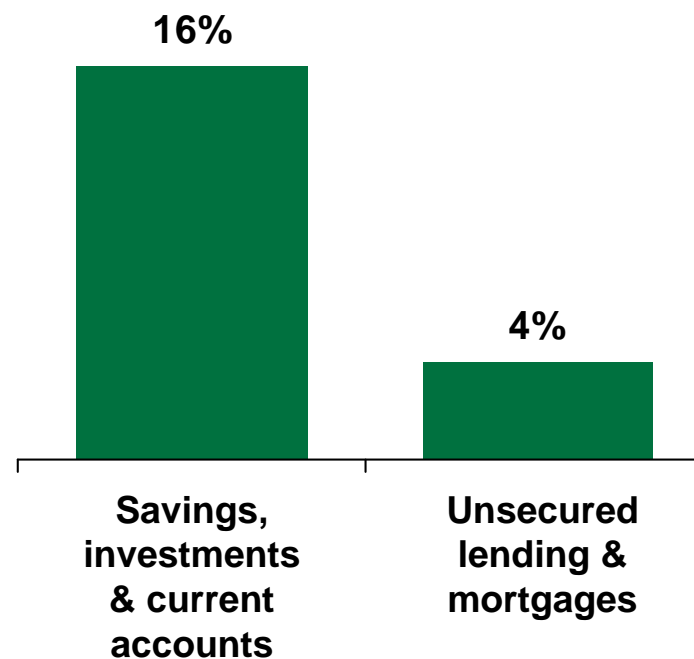
**We identified a shift towards savings and investment...**

**...and are capturing it**



Source: Results presentation, February 2006

Income growth (2005 – 07)

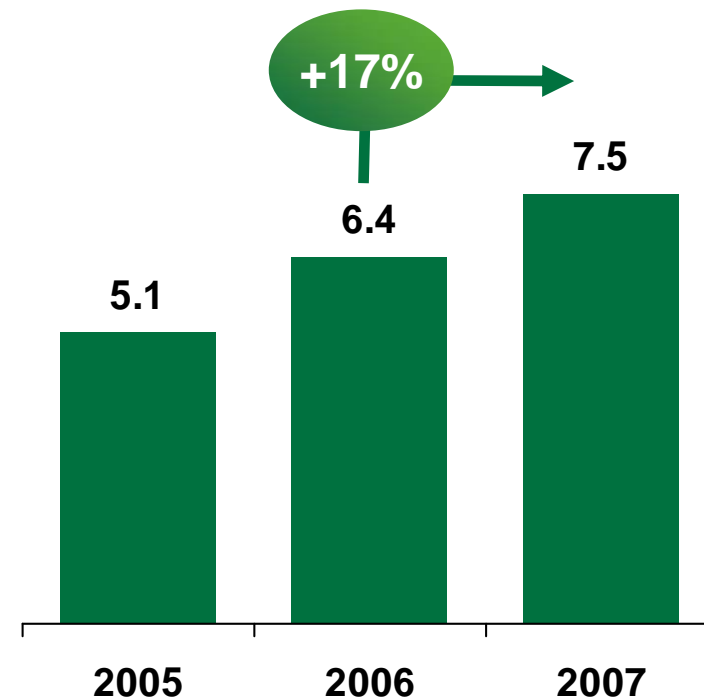


# High quality sustainable earnings

## UKRB: establishing market leading positions

- #1 new customer acquisition
- #1 new credit card issuer
- #1 in added value accounts
- #1 provider of home insurance
- #1 in personal loans

Total sales volumes (millions)

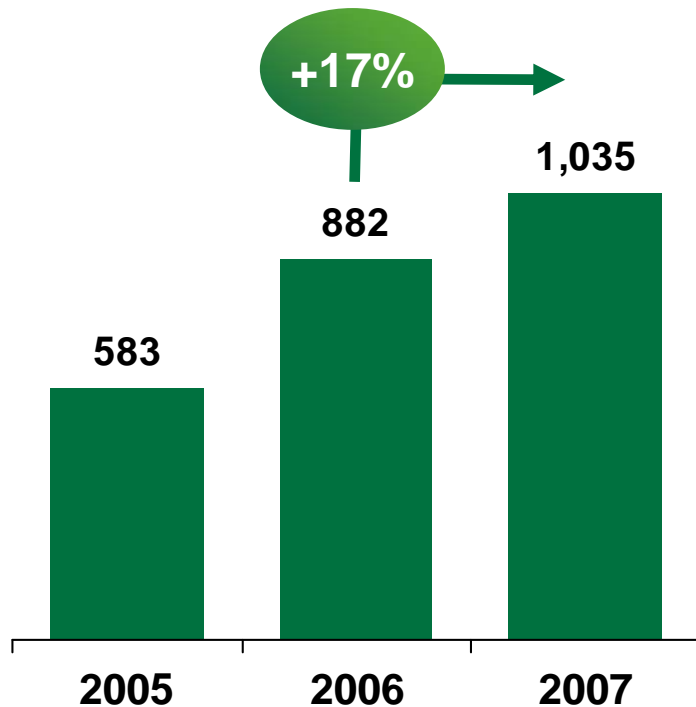


# High quality sustainable earnings

## UKRB: establishing market leading positions

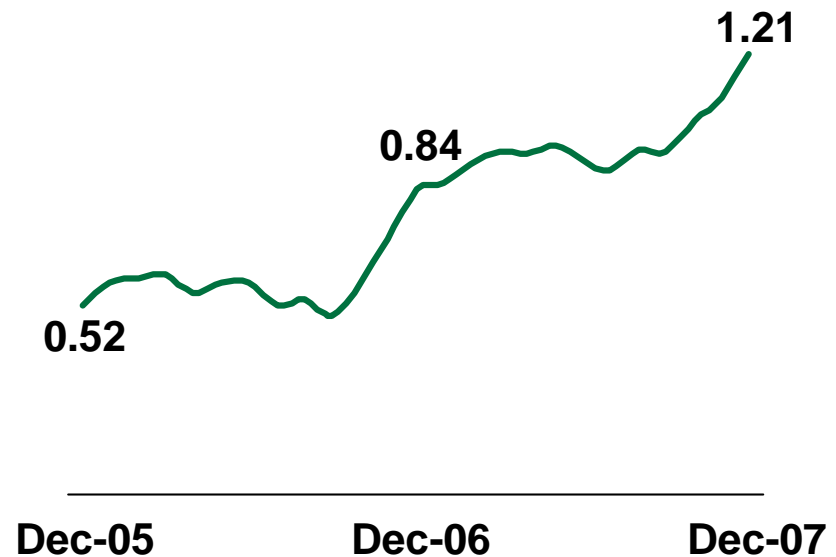
### Growth in current accounts opened...

Number of current accounts opened, 000's



### ...and cross-sales at opening

Number of additional products purchased with current account<sup>1</sup>



1. Additional products purchased by New to Bank customers buying Classic/AVA current accounts

# High quality sustainable earnings

## UKRB: low risk, relationship-focused lending

### Mortgages

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- #1 in branch-based lending
- Low book and new LTVs
- No self-certification

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- Over 3 month arrears fell 12% in 2007

### Unsecured

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- 99% of loans to franchise customers
- 89% of credit cards issued to franchise customers

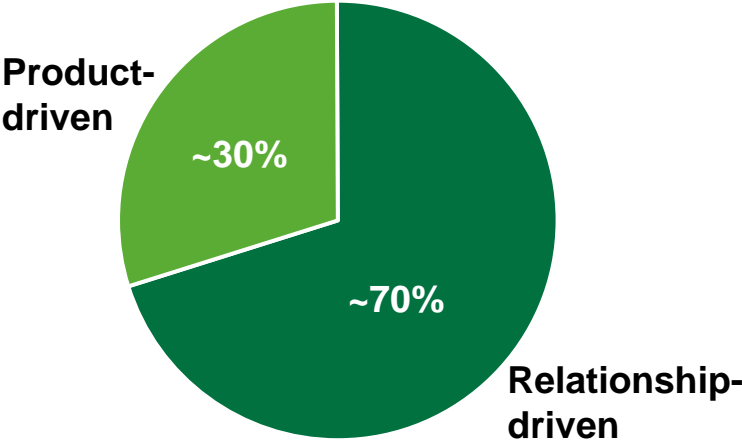
- 
- Impairments fell 2% in 2007

# High quality sustainable earnings

## W&IB: relationship-driven growth<sup>1</sup>

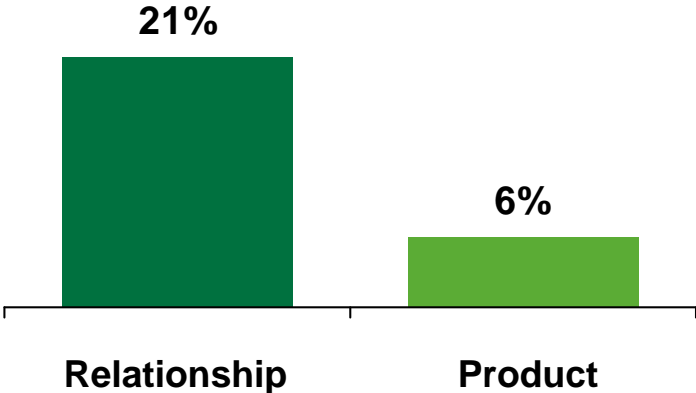
Where our profit comes from

% of 2007 PBT



Where our growth comes from

Income growth (2005 – 07)



1. Internal estimates; excluding market dislocation

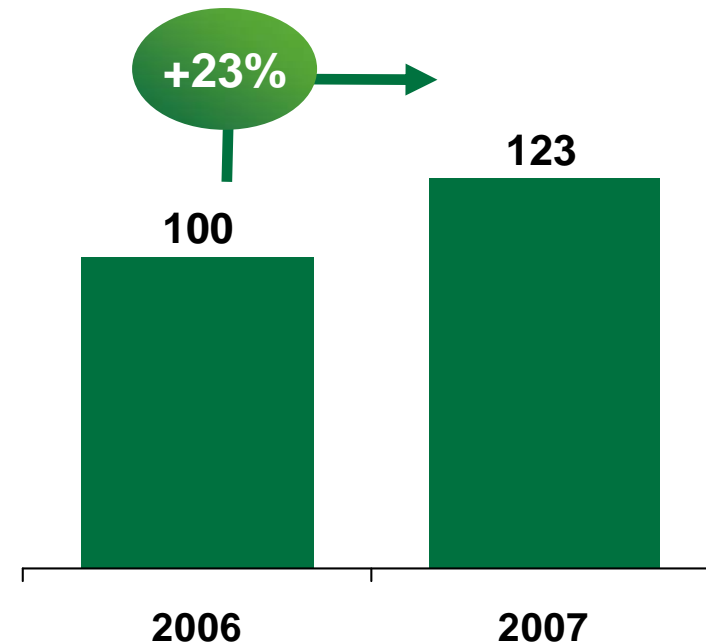
# High quality sustainable earnings

## W&IB: growing the Commercial Banking franchise

- Record customer satisfaction
- #1 in start-ups and net gainer of switchers
- Cross-sales of Scottish Widows products to commercial up 36%
- Invoice discounting & factoring up 15%

### Strong growth in cross-sales

Indexed to 100 in 2006



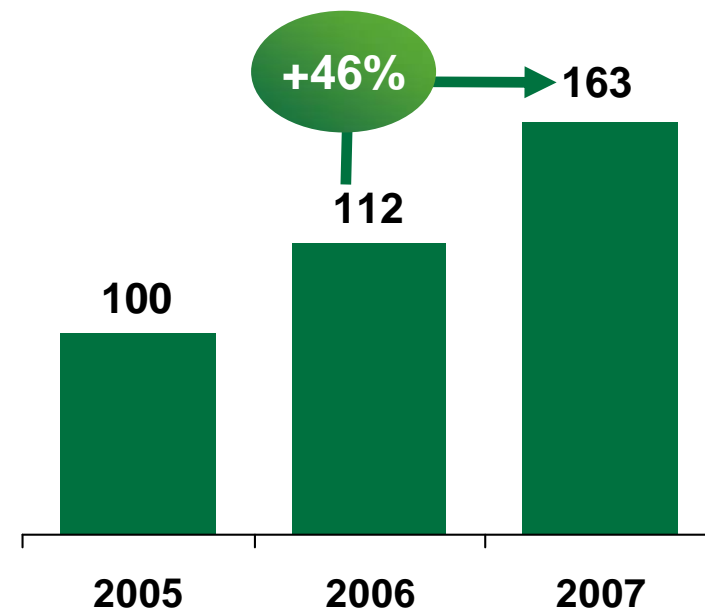
# High quality sustainable earnings

## W&IB: growing the Corporate Banking franchise

- Increase in mid-market share of 2 per cent<sup>1</sup>
- Top rated relationship bank
- Increase in no. of relationship managers and specialist sales forces

### Strong growth in cross-sales

Indexed to 100 in 2005

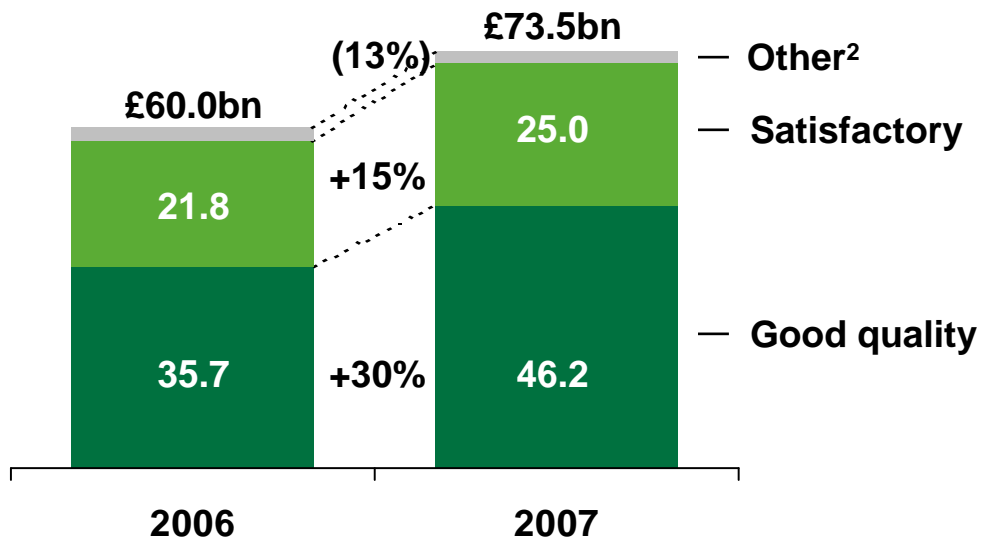


1. Source: TNS

# High quality sustainable earnings

## W&IB: low risk, relationship-focused lending

Risk profile for wholesale loans & advances to customers<sup>1</sup>



- 22% growth in wholesale loans & advances
- 97% classified as good or satisfactory
- Focus on lending through the cycle

1. Neither past due nor impaired  
2. Lower quality and below standard

# High quality sustainable earnings

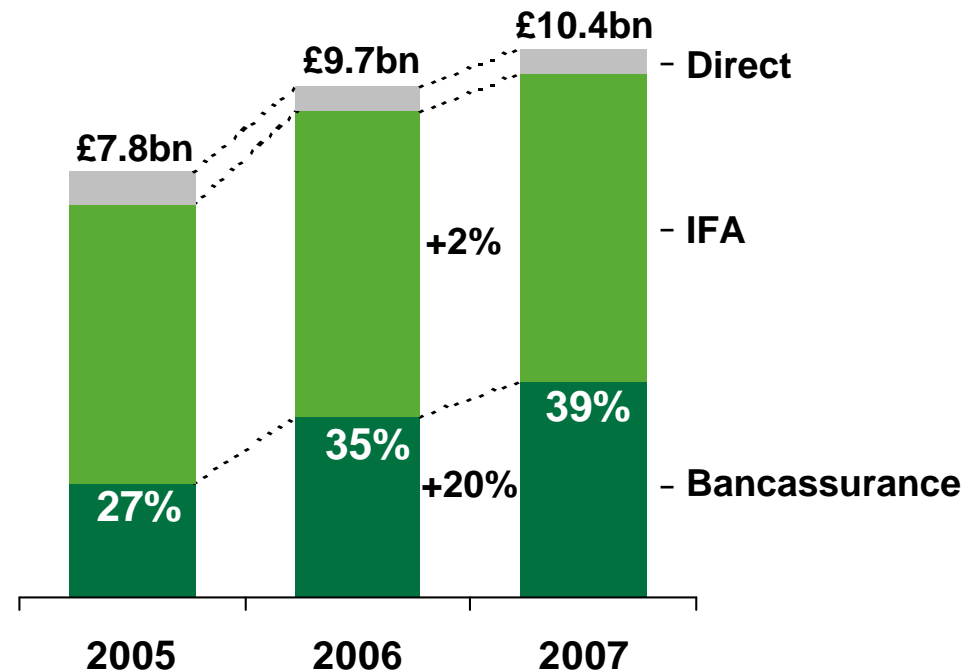
## I&I: relationship-driven growth

### I&I products central to Group's relationship businesses

- Retail Banking
- Private Banking
- Commercial Banking
- Corporate Banking

### Example: Scottish Widows

PVNBP<sup>1</sup>



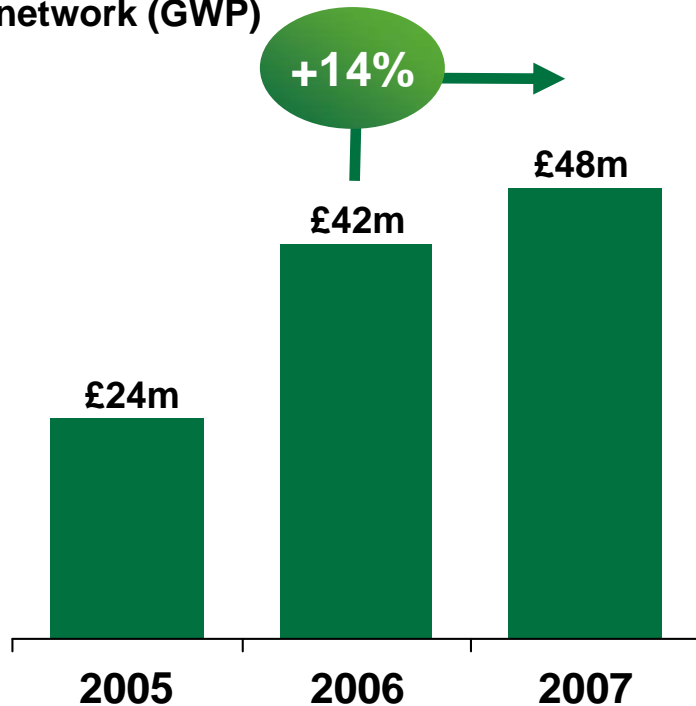
1. Present value of new business premiums

# High quality sustainable earnings

## I&I: relationship-driven growth

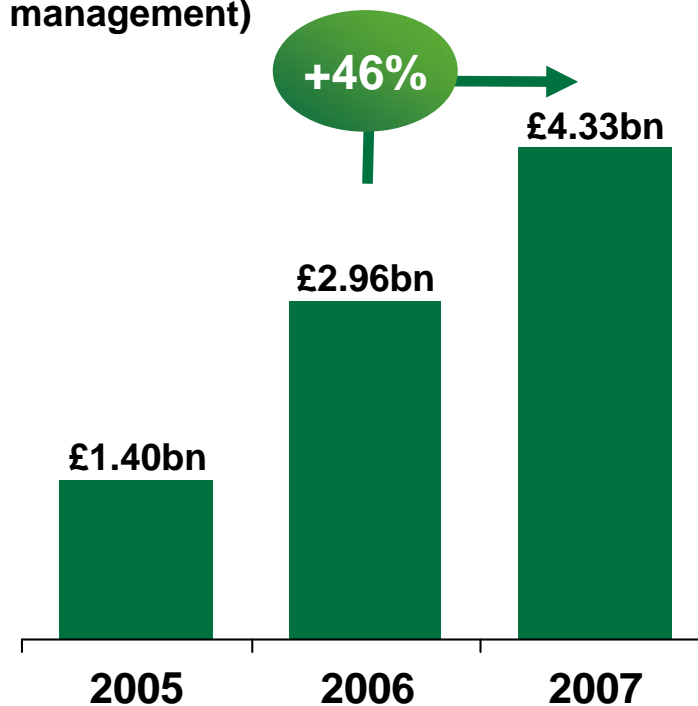
### Example: General Insurance

Home insurance sold through branch network (GWP)



### Example: SWIP

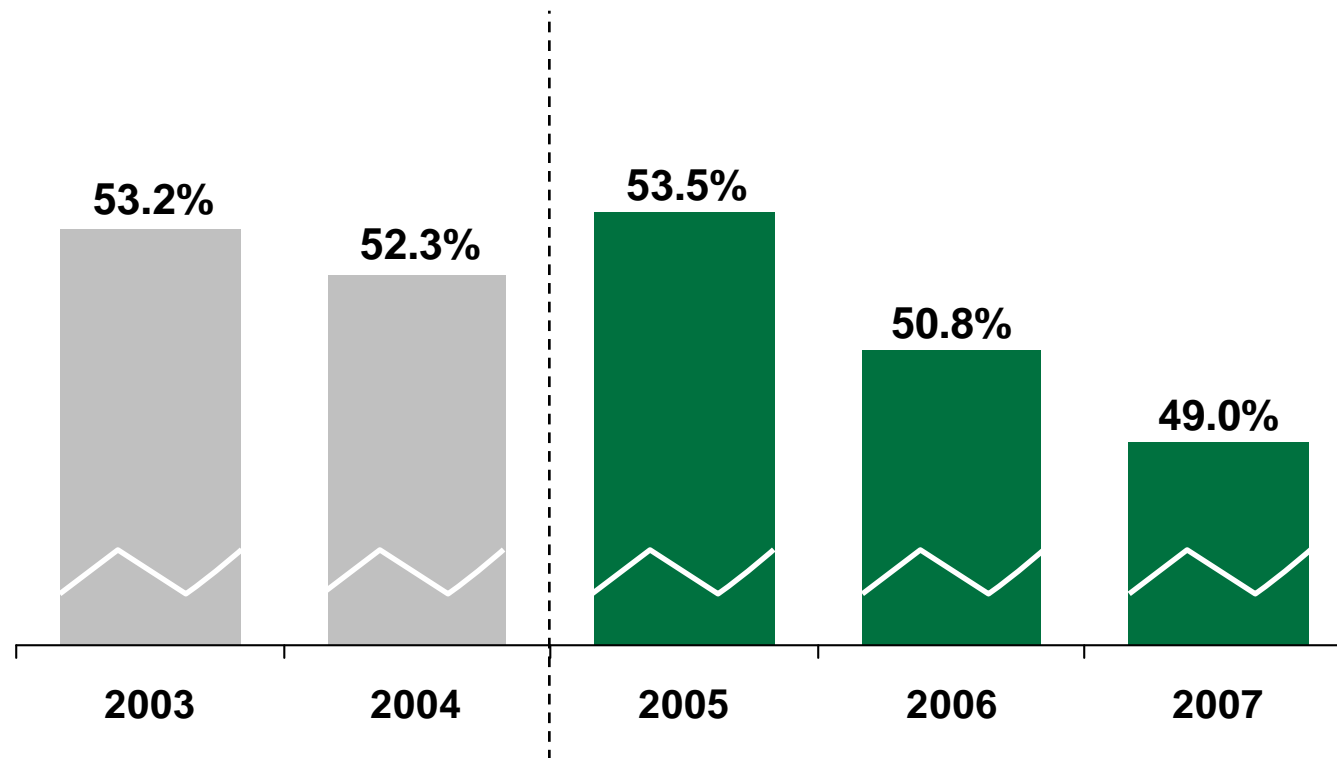
UKRB: new retail products (funds under management)



# High quality sustainable earnings

## Continuous productivity growth

Cost:income ratio<sup>1</sup>



1. 2003-4 figures on a UK GAAP basis excluding discontinued operations. 2005-7 figures are on a full IFRS basis, excluding volatility, insurance grossing and one-off items

# High quality sustainable earnings

## Investing for future growth

### Investment themes

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- **Improving access for our customers**
- **Effectiveness in front of the customer**
- **Enhancing products & services**
- **Improving our efficiency**

### Major projects

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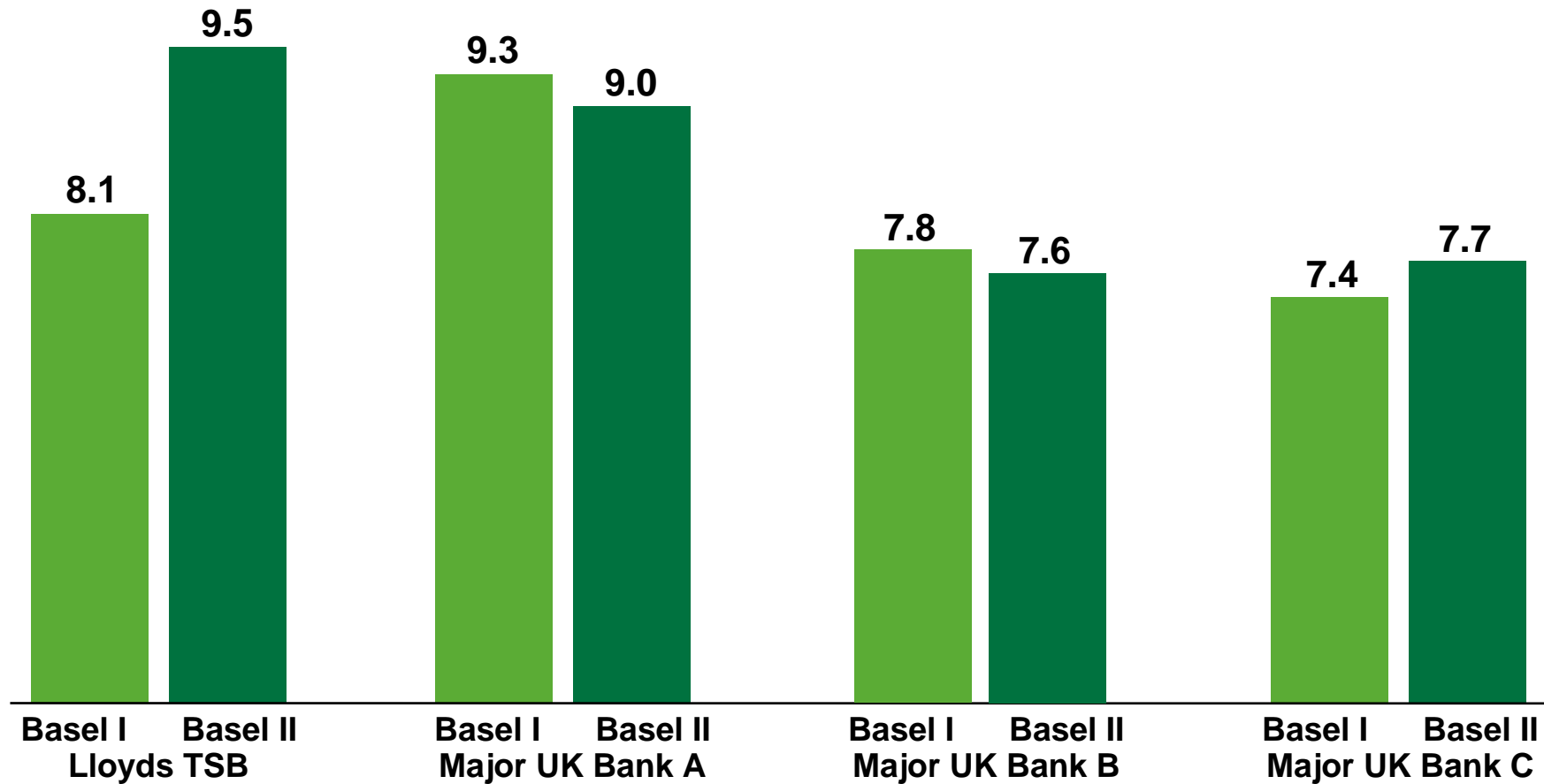
- **New internet platform**
- **'Your finances' sales capability**
- **Up-skilling frontline staff**
- **Commercial infrastructure**
- **Productivity programme**

# We are well placed

- **Strong capital position**
- **Strong funding and liquidity position**
- **Limited exposure to market dislocation**

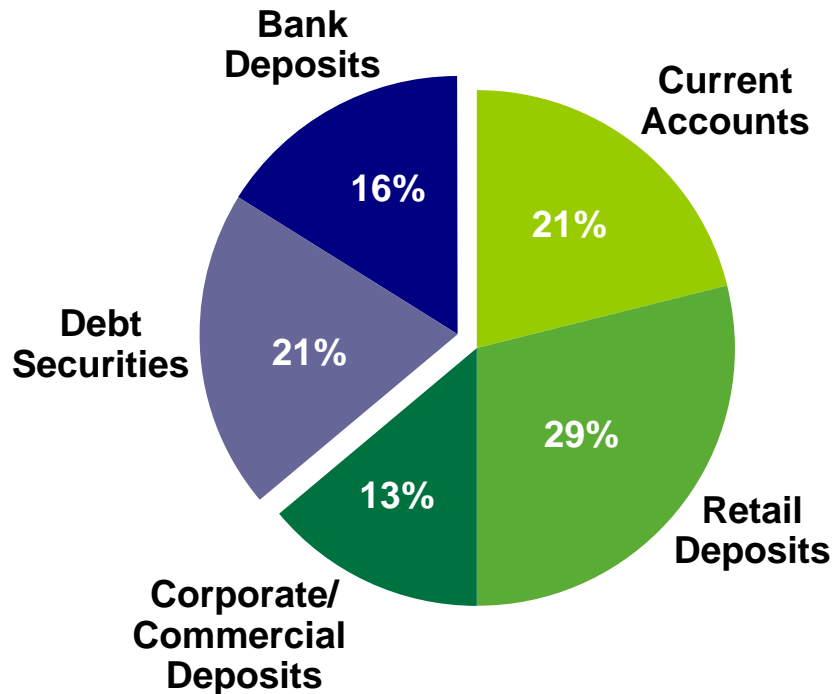
# Strong capital position – tier 1 capital ratios

%

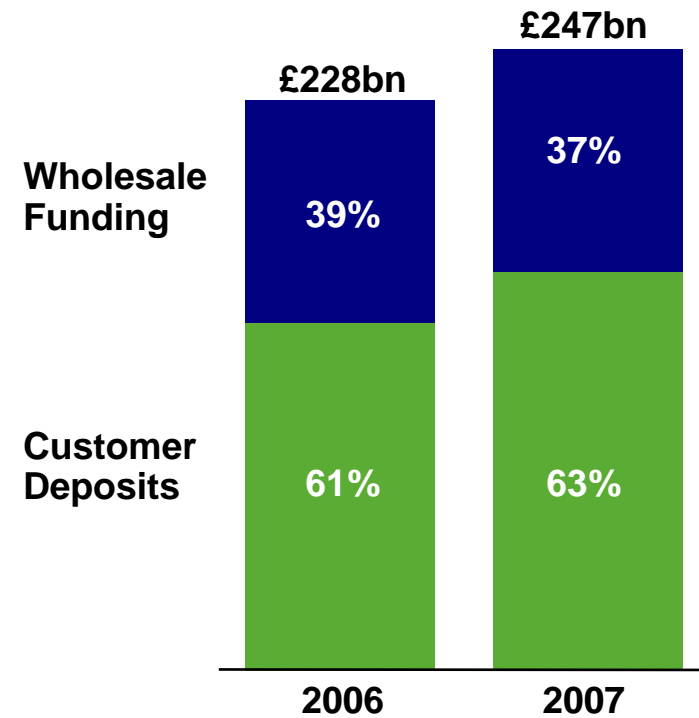


# Strong funding and liquidity position

## Funding base composition December 2007

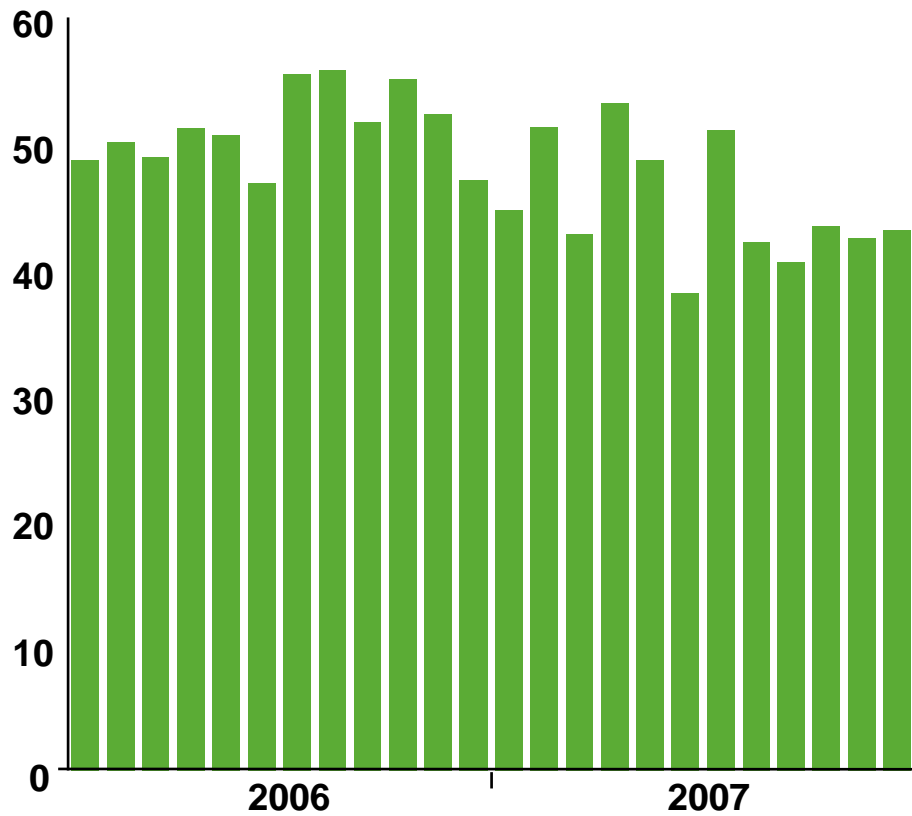


## Increased percentage of customer deposit funding

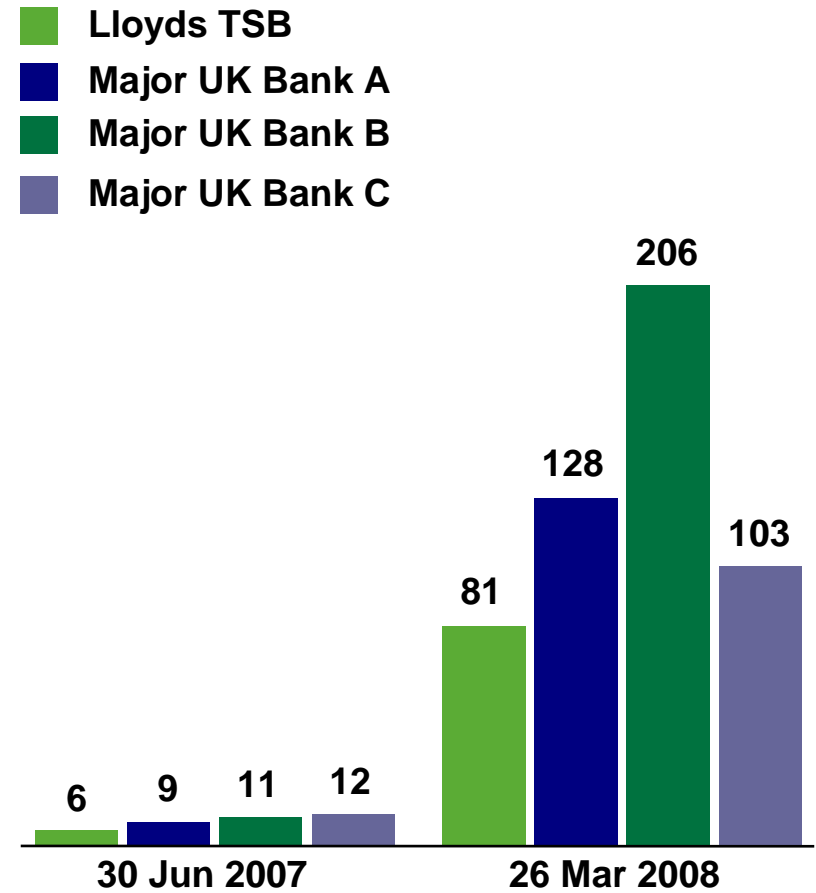


# Strong funding and liquidity position

## Short term money market funding (£bn)



## UK bank 5 year senior CDS spreads



## 2007 results in longer term context

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- **High quality sustainable earnings**

# 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, exposure to legal proceedings or complaints, 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.**

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