

PROMISING RESULTS FOLLOWING NEW LLOYDS TSB INSURANCE STRATEGY

Reporting alongside Lloyds TSB Group, Lloyds TSB General Insurance today reported a £7m or 5 per cent increase in Profit Before Tax in 2004. The results reflect a promising performance following implementation of a new strategy. The first half of 2004 saw 3% growth in Profit Before Tax with the second half delivering 7% growth. (note1)

Total written premiums for underwritten and broked business for Lloyds TSB Insurance were £1.7 billion, up 5% on 2003. Within that, the underwriting company continued to grow with Earned Premium income increasing by £19 million, or 4 per cent, to £554 million. This reflects continued progress in improving levels of business retention and improved product margins. Home insurance income, where business retention is most focused, increased by 8 per cent.

Phil Loney, managing director, Lloyds TSB General Insurance, comments, “During 2004 we’ve increased investment in business retention and this is now starting to pay off for us. Additionally, we’ve taken a long hard look at how we can improve the efficiency of the underwriting business and a number of projects have been initiated with early results proving positive. This alongside a benign year in terms of weather conditions has reduced our Combined Ratio within the underwriting business to 83.2%, a figure I believe we can be justifiably proud of.”

Commission income from insurance broking decreased by £18 million as a £26 million increase in income from creditor insurance was offset by a £47 million reduction in other commissions, reflecting a return to more normal levels in terms of profit share income.

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Sales through direct channels continued to demonstrate strong growth with gross written premiums from new policies sold through direct channels increasing by 12 per cent and gross written premiums for new policies sold via the internet increasing by 37 per cent year-on-year.

Phil Loney further adds, "I am confident that the plans we have to leverage customer insight to improve customer targeting as well as our risk-based pricing will help us to build on this strong direct business performance in 2005."

Moving forward, Lloyds TSB General Insurance will continue to invest in a number of projects designed to underpin the business's existing strengths and ensure strong competitive advantage is maintained.

1. **Claims re-engineering** – ongoing work to enhance efficiency through a re-design of core processes within a customer-centric framework.
2. **Supply Chain Collaboration** – the recently announced market-leading collaboration with Royal and SunAlliance will be implemented over the course of 2005.
3. **Improve risk and customer pricing** – improved use of internally and externally sourced data to enhance underwriting sophistication and develop optimal pricing strategies.
4. **Development of Distribution Channels** – a range of initiatives including further scaling of the businesses direct capability, volume growth in the SME market and entry into the corporate partnering arena.

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Phil Loney adds, "2004 has been an exciting year during which we have taken the first steps to implement our new strategy. The early signs in terms of accelerating profit growth performance are encouraging. I look forward to 2005 as we seek to drive further profitable growth by leveraging the core areas of competitive advantage identified in our new strategy."

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Notes to editors:

Note 1 - All profit before tax figures are shown excluding investment variance. The percentage growth figures for the first and second halves of 2004 are based on comparison to the equivalent periods in 2003.