Annual Review **2003**

Lloyds TSB Group

Can my **business** succeed?

We serve our business customers in the UK with **dedicated relationship managers** in over **500 locations**

Profit before tax

By main businesses

	2003 £ million	2002* £ million
UK Retail Banking and Mortgages	**1,021**	1,008
Insurance and Investments	**1,094**	1,230
Wholesale and International Banking	**1,330**	1,264
Central group items	**(65)**	4
Profit before tax, excluding changes in economic assumptions, investment variance and profit on sale of businesses	**3,380**	3,506
Changes in economic assumptions†	**(22)**	55
Investment variance†	**125**	(943)
Profit on sale of businesses†	**865**	–
Profit before tax	**4,348**	2,618
Earnings per share	**58.3p**	32.1p

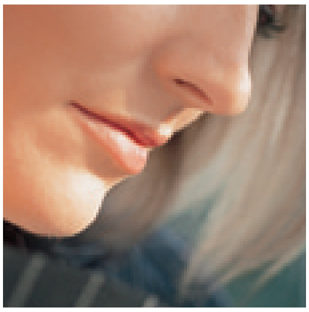
* Restated to reflect a change in accounting policy following the issue of new accounting guidance in Urgent Issues Task Force Abstracts 37 'Purchases and sales of own shares' and 38 'Accounting for ESOP trusts', the reclassification of Business Banking earnings from UK Retail Banking and Mortgages to Wholesale and International Banking, and changes in internal transfer pricing arrangements. The Lloyds TSB Group has also changed its accounting policy relating to the deferral of certain expenses incurred in connection with the acquisition of new asset finance and unit trust business. These costs are now charged to the profit and loss account as incurred, rather than over the expected life of the related transactions.

† Changes in economic assumptions and investment variance relate to Insurance and Investments, profit on sale of businesses relates to Wholesale and International Banking.

Presentation of results

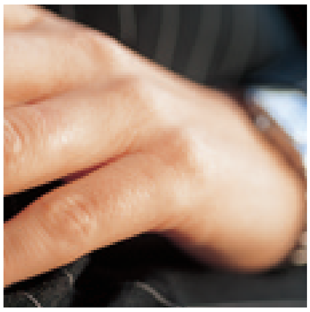
In order to provide a clearer representation of the underlying performance of the Group, the results of the Group's life and pensions business include investment earnings calculated using longer-term investment rates of return and annual management charges based on unsmoothed fund values. The difference between the normalised investment earnings and the actual return ('the investment variance') together with the impact of changes in the economic assumptions used in the embedded value calculation have been separately analysed and a reconciliation to the Group's profit before tax is given on this page.

This annual review, including the summary financial statement on pages 10, 11 and 13, does not contain sufficient information to allow as full an understanding of the results and state of affairs of Lloyds TSB Group as would be provided by the full report and accounts. Shareholders who would like more detailed information may obtain a copy of the full report and accounts, free of charge, by completing the request form which accompanies this review.

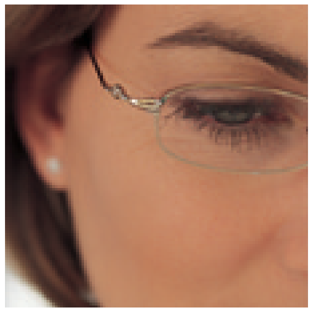


We offer RouteMap, a unique business development programme, to our business customers

Pre-tax profits in Lloyds TSB Asset Finance increased by 145 per cent to £162 million in 2003



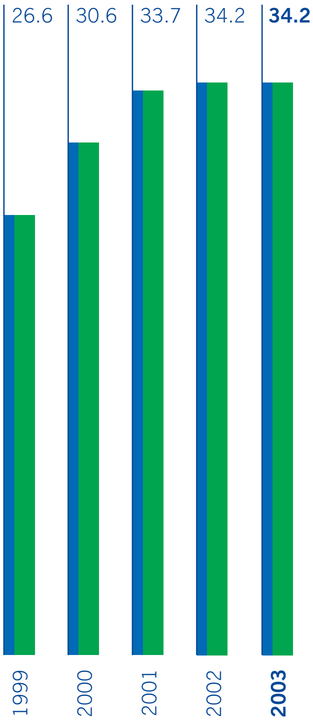
Record levels of new acquisition finance deals and commitments were achieved in 2003



Lloyds TSB Registrars' share of the registration market for FTSE 100 companies in 2003 was 59 per cent

The businesses of Lloyds TSB

Dividends per share (pence)



Final dividend

A final dividend of 23.5p per share will be paid on 5 May 2004. This makes a total dividend for 2003 of 34.2p, (2002: 34.2p).

The group

Lloyds TSB is a leading UK-based financial services group, whose businesses provide a comprehensive range of banking and financial services in the UK and overseas. At the end of 2003 total group assets were £252 billion and there were over 71,000 employees. Market capitalisation was £25.1 billion.

The main businesses and activities of the Group during 2003 are described below:

UK Retail Banking and Mortgages

A full range of banking and financial services to some 15 million personal customers through more than 2,200 branches throughout the UK, as well as telephone and internet banking services. Cheltenham & Gloucester is the Group's specialist residential mortgage provider, selling its products through branches of C&G and Lloyds TSB Bank in England and Wales, as well as through the telephone, internet and postal service, C&G TeleDirect. The Group is the third largest mortgage lender in the UK, with a market share of 9.2 per cent. Pre-tax profit from UK Retail Banking and Mortgages was £1,021 million.

Insurance and Investments

Scottish Widows is the Group's specialist provider of life assurance, pensions and investment products, distributed through the Lloyds TSB branch network, through independent financial advisors and directly via the telephone and the internet. Insurance and Investments also includes general insurance underwriting and broking, and fund management. Operating profit was £1,094 million.

Wholesale and International Banking

Banking, treasury, large value lease finance, long-term agricultural finance, share registration, venture capital, and other related services for major UK and multinational companies, banks and financial institutions, and small and medium-sized UK businesses; Lloyds TSB Asset Finance; and banking and financial services overseas in three main areas: The Americas, New Zealand, and Europe and Offshore Banking. Profit before tax, excluding profit on sale of businesses, from Wholesale and International Banking was £1,330 million.

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. 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 business and equity risk in its insurance businesses, changing demographic trends, unexpected changes to regulation or regulatory actions, changes in customer preferences, competition and other factors. Please refer to the Annual Report on Form 20-F of Lloyds TSB Group filed with the US Securities and Exchange Commission for a discussion of such factors.

What about **household insurance?**

We are a **market leader** in the distribution of household insurance in the UK

Chairman's statement

Maarten van den Bergh

2003 has been a year of considerable change for the Lloyds TSB Group. We have refocused our strategic direction, to concentrate on our core businesses, and put in place many of the building blocks for profitable franchise growth in 2004 and beyond. One of the significant challenges that we face is that growth in the financial services industry is expected to slow over the next couple of years. This means that for us to grow profitably we will need to win a greater share of new and existing customers' business. To do this we are placing much greater emphasis on developing our relationship management skills in each of the Lloyds TSB Group's businesses, so we better understand and meet our customers' needs and create more value for them than our competitors can. At the same time, we continue to improve our products and services and build on the progress we have made in 2003.

Economic outlook

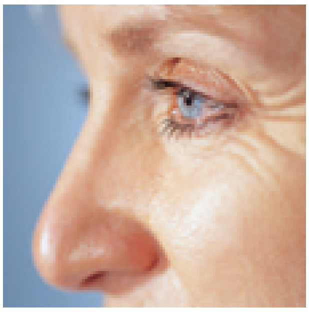
We expect economic growth in the UK to strengthen in 2004, helped by a recovery in the global economy. The UK's manufacturing sector has had a difficult last few years but is now emerging from recession and that should continue this year, boosting the overall UK economy. This, we believe, will create a better balance to UK economic growth, which has been led by consumer spending for some years. The recent buoyant growth in mortgage and consumer credit markets may ease back to more normal levels in 2004 as the combined effect of higher interest rates and slower growth in personal disposable incomes lowers demand. The expected overall strengthening in UK economic growth is likely to lead to higher interest rates but, whilst inflation remains low, only a modest increase is expected. Over the next few years the financial services industry will face significant challenges as a result of the continuing burden of European and UK regulation. Some of this is potentially very damaging to the competitiveness of the UK financial services sector.

Results

The Lloyds TSB Group has delivered a satisfactory performance in 2003. This has been achieved as a result of growth in our income, through building stronger relationships with our customers whilst at

Scottish Widows' share of the UK life and pensions market grew to 5.7 per cent in 2003

The Group has over 9 million personal lines general insurance policies in force



Scottish Widows is one of the most strongly capitalised life companies in the UK

In the 2003 IFA Service Awards, Scottish Widows achieved 5-star ratings in all categories

the same time maintaining strict cost control. A number of actions have also been taken to reduce risk and earnings volatility. We also made good progress in 2003 in enhancing overall customer service, supported by the introduction of new products and improved processes.

Capital and dividend

Lloyds TSB Group's capital ratios improved significantly during 2003, partly as a result of gains on business disposals, and the Group continues to generate strong cash flows from its banking operations. Lloyds TSB Bank remains one of the most profitable major banks in the world and is one of only two large commercially owned banks in the world, and the only UK bank, to have a 'triple A' rating from Moody's.

The Lloyds TSB Group's capital management policy is focused on optimising value for shareholders. There is a clear focus on delivering organic growth and expected capital retentions are sufficient to support planned levels of growth. However, we also wish to maintain the flexibility to make value enhancing 'in market' acquisitions such as the recent acquisition of the Goldfish credit card and personal loan businesses, asset finance businesses and Chartered Trust. At this stage, therefore, the board has decided not to implement a share buyback programme but will, of course, continue to keep all options for the utilisation of capital under review.

The board has decided to maintain the final dividend at 23.5p per share to make a total for the year of 34.2p (2002: 34.2p). The board continues to recognise the importance attached by shareholders to the Group's dividend which in 2003 represented a dividend yield of 7.6 per cent, calculated using the 31 December 2003 share price of 448p.

Our people

Our people are the key to our success. To support our objective to become a consistently high performance organisation, every one of our staff needs to know what they can do to be more successful. Our staff have played a very important role in the implementation of many positive changes during 2003, and I thank them for their continuing support. During 2003 we have made great strides in embedding, via a balanced scorecard approach to performance management, greater clarity and accountability for performance in each business and, in doing so, have devolved greater decision making and responsibility from the Group centre to our managers nearer to the customer.

The quality of our delivery is also vital. Excellent execution is one of the key attributes that distinguishes successful companies over time and high quality delivery will ensure we improve our relationships with our customers. By ensuring that we put our customers at the heart of everything that we do, we can create better and deeper long-term relationships and ensure that our future growth is profitable and sustainable, thereby maximising value for our shareholders.

Board changes

In May 2003, we welcomed Wolfgang Berndt and Angela Knight to the board as non-executive directors. We are also pleased that Helen Weir will join us on 26 April 2004 as group finance director. Two executive directors, Mike Ross and Philip Hampton, left the board in September 2003 and January 2004 respectively. Lord Selborne, a non-executive director, will be leaving the board at the annual general meeting. We thank them all for their contribution to the Group.

Realising our potential

Our key objective is to build strong customer franchises, and the guiding financial principle will be measuring and managing on economic profit growth. The result, we believe, will be top quartile shareholder return. In 2003, we have changed the strategic direction of the Lloyds TSB Group to improve our focus on our core customer franchises and to build sustainable competitive positions. The Group has also significantly strengthened its management team with a number of senior executive appointments to support the implementation of the new strategy. As a result, I believe Lloyds TSB Group has a real opportunity to reap the rewards of the very substantial efforts made by everyone in 2003, and thereby to realise the Lloyds TSB Group's full potential.

Maarten van den Bergh
Chairman
5 March 2004

Do your **banking** products meet my needs?

Lloyds TSB continues to improve its products and services. Over **800,000 new customers** joined the bank in 2003

Group chief executive's review

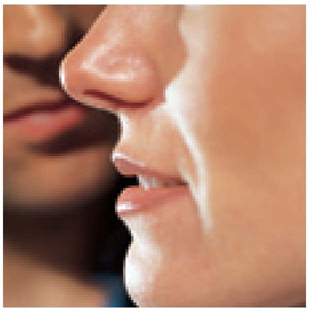
Eric Daniels

Lloyds TSB Group's headline results in 2003 showed a 66 per cent rise in profit before tax to £4,348 million, compared to £2,618 million in 2002. This increase does not appropriately reflect our performance, as it was, in large part, the result of the strategic repositioning of our business portfolio and the greater stability in global financial markets. Excluding the profit on the sale of businesses, investment variance and changes in economic assumptions, the Lloyds TSB Group's profit before tax was down 4 per cent, or £126 million, to £3,380 million. On the same basis, profit before tax increased by 3 per cent in the second half of 2003, compared to the first half of the year, supported by improvements in each of the main business units.

When viewing our trading performance for the year, a number of other factors need to be taken into account to allow for a better understanding and comparison with 2002. In particular, the reduction of £131 million in the Lloyds TSB Group's pension scheme related income, and the introduction of the Competition Commission's remedies for small and medium-sized enterprises which reduced profit before tax by £174 million in 2003.

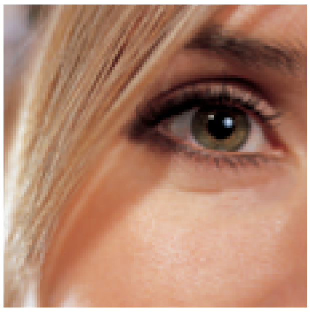
Whilst it is important to recognise that these are ongoing parts of the business, the year-on-year comparison excluding these factors shows earnings growth, with a modest income uplift and continued tight control over expenses. Growth in income was supported by good quality growth in customer lending and deposits which, excluding the impact of disposals, grew by 10 per cent and 6 per cent respectively. The rate of decline in the net interest margin has slowed, despite intense competition within the UK financial services market, as we improved the mix of assets. The Group net interest margin in 2003 was 3.04 per cent, compared with 3.20 per cent in 2002, and we continue to budget for further gradual product margin erosion.

Our cost performance reflected good progress in a number of efficiency related initiatives, together with a reduction of some 1,200 in total staffing, after allowing for the acquisition and disposal of businesses. Provisions for bad and doubtful debts reduced by 8 per cent, as a result of lower



Net new mortgage lending in 2003 was a record £8.3 billion

Credit card balances grew by 36 per cent to £6.7 billion



In Retail Banking, current and savings account deposits increased by 10 per cent

Over 4 million customers have chosen accounts from our added value current account range

charges in the corporate and international businesses. Asset quality across the Lloyds TSB Group remains strong and total non-performing lending reduced by 14 per cent during the year, partly as a result of business disposals. Our return on equity, excluding disposal gains, investment variance and changes in economic assumptions, was 27.4 per cent.

Management priorities

In 2003, the management team set a series of priorities to guide the Lloyds TSB Group and provide a framework to build the franchise. The three key themes are:

- to actively manage the portfolio of businesses and to reduce risk and earnings volatility,
- to maintain and build profitability, and,
- to position the Group to deliver profitable growth from within our retail and corporate customer franchises.

The key achievements against these priorities are summarised below.

Managing the business portfolio

During the year, we reviewed the strategic options for a number of our businesses. The criteria used in our evaluation process were the strategic fit with the Lloyds TSB Group and the prospects for long-term economic profit growth. As a result of the review, we sold The National Bank of New Zealand, substantially all of our businesses in Brazil and our French operations. We have also announced the sale of our Central American businesses, pending approval from the regulatory authorities. Our emerging markets debt portfolio, which totalled £1.1 billion at the end of 2002, was also sold. We have removed significant earnings volatility and are now more focused on our core franchises, and are confident the quality of our future earnings will improve.

In our life assurance business, we continue to keep close control over earnings risk and have put plans in place to deliver capital efficient growth.

In 2003, we implemented a new risk infrastructure across all our business units and maintained tight control over our risk positions and credit quality, which is in part reflected in our lower charge for bad and doubtful debts and reduced levels of non-performing lending.

We have also put in place new sales management processes and incentive plans designed to guide the organisation to build deep, long-term customer relationships, and to underpin our commitment to treating our customers fairly. We are determined to avoid future lapses in our sales processes which, in the first half of 2003, required us to raise a £300 million provision to provide redress to customers.

Maintaining and building profitability

Our key financial measures of performance are economic profit growth and return on economic equity. During 2003, the Lloyds TSB Group delivered an economic profit increase of 4 per cent and maintained a high post-tax return on equity, excluding disposal gains, investment variance and changes in economic assumptions at 27.4 per cent.

In 2003, we established an increased focus on economic capital management, supported by the introduction of a more rigorous, Basel 2 compliant, equity attribution model. This has changed the way we allocate capital, and has been reflected in the mix of our balance sheet growth during 2003. We have seen good growth in consumer lending and a reduction in our portfolio of finer margin loans and debt securities. The improvement in our mix of assets has supported an increase in the Group's net interest margin in the fourth quarter of the year.

In line with our plans to maximise the use of our capital resources, we have reviewed the performance of our life, pensions and investments product portfolio. The new business margin rose from 19.3 per cent to 21.6 per cent whilst growing market share from 5.2 per cent to 5.7 per cent. Scottish Widows remains one of the most strongly capitalised life assurance companies in the UK and is on track to pay a 2004 dividend to Lloyds TSB. During the year Scottish Widows' free asset ratio, a key measure of life assurance companies' financial strength, increased to an estimated 13.5 per cent, from 12.2 per cent in 2002.

Cost control continues to have high priority throughout the Lloyds TSB Group. The increasing use of straight through processing, and our introduction of a Sigma approach to quality, currently covering almost 30 per cent of our transactions, has started to improve our cost effectiveness and customer service levels. We intend to extend this programme over the next year. We have also embarked on a programme of outsourcing a number of our processing and back office operations.

Positioning the Lloyds TSB Group for growth

The Lloyds TSB Group's principal focus is on growth from within the franchise. Our objective is to build valuable long-term relationships with customers in both the retail and corporate markets. We will, however, continue to review opportunities for 'in-market' purchases, such as the successful acquisition of Goldfish. The Lloyds TSB Group's capital position has strengthened considerably during 2003, providing the capital flexibility to make value creating acquisitions to support this focus on organic growth.

The emphasis on developing the core franchise has resulted in a robust performance in UK Retail Banking and Mortgages in 2003, with profit before tax increasing by 21 per cent as revenues increased by 9 per cent whilst costs were held flat, excluding the customer redress provision of £200 million.

Is the **website** worth a visit?

LloydsTSB.com is one of the most visited financial websites in Europe (**2.4 million registered customers**)

There has been strong balance growth in many key areas, particularly credit cards, up 18 per cent, and personal loans, up 9 per cent, excluding the Goldfish acquisition, retail banking current accounts, savings and investments, up 10 per cent, and mortgages, up 13 per cent. Over 1.8 million customers have benefited from the roll out of enhanced relationship management offers, Premier and Privilege, that have begun to have a positive impact on income generation and customer loyalty.

In our mortgage business, we increased our outstanding balances but our share of net new lending fell in the second half of 2003, given the uneconomic nature of some products. Product sales via the internet distribution channel continue to grow rapidly with an average of more than 70,000 product sales per month, up 80 per cent on 2002. This reflects the successful development of our multi-channel distribution strategy. Overall, sales from direct channels amounted to nearly 40 per cent of total retail banking sales in 2003, representing a significant increase over the prior year.

Scottish Widows has made good market share gains in the UK life and pensions market, particularly through the Independent Financial Advisor distribution channel, with new business contribution up by 13 per cent and the margin on new business increasing significantly, following the focus on the distribution of more profitable and capital efficient products.

Work is also underway to improve the overall performance through our branch channels. Profitability from existing business fell, largely as a result of changes in actuarial assumptions. Our general insurance business continued to perform well with good income growth in the home insurance market.

In Wholesale and International Banking, positive results are emerging from the improved co-ordination between our Corporate and Financial Markets businesses. There was an uplift in foreign exchange and interest rate management product sales to Corporate customers in the second half of 2003, and the pipeline for new business continues to expand.

Even after absorbing the £174 million reduction in income as a result of the Competition Commission's SME ruling and excluding the £865 million profit on sale of businesses, profit before tax in Wholesale and International Banking grew 5 per cent during 2003.

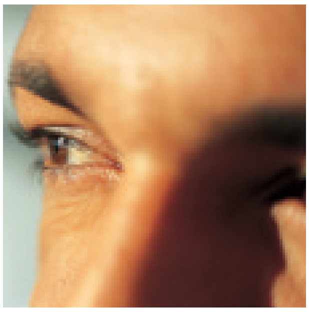
Looking forward

During 2003 we have made good progress both strategically and financially. We have brought a sharper focus on maintaining and building profitability and we are beginning to deliver growth in our substantial retail and corporate customer franchises. We remain confident of delivering further improved performance by the second half of 2004.

Finally, I would like to extend my thanks to our staff for their commitment and support and, in particular, their desire to serve our customers. The positive way in which they have embraced the change programme lends further confidence to my belief that we will grow our business in line with our expectations.

J Eric Daniels
Group Chief Executive
5 March 2004

A network of over 2,200 branches in the UK



One of the largest telephone banking operations in Europe

Our customers can access and manage their accounts online in real-time, 365 days a year

Internet product sales increased by 80 per cent during 2003

The community and our business

As one of the UK's leading financial services companies, Lloyds TSB believes that business success should go hand-in-hand with corporate citizenship. This commitment is demonstrated by our position as one of the UK's largest corporate givers; our award-winning policies in the fields of employee relations, training and development, diversity and financial inclusion; as well as our role in leading innovation in the management of change and environmental risk. However, our commitment also involves the day-to-day business of listening to and serving all our stakeholders, because good corporate citizenship is an essential part of building a successful business.

In support of the community we serve as a business, the four independent Lloyds TSB Foundations will receive £31 million in 2004 to distribute to grassroots charities throughout the UK, which focus on improving the lives of disabled and disadvantaged people. The Foundations receive 1 per cent of the Group's pre-tax profits adjusted for certain items, averaged over three years, instead of the dividend on their shareholding.

Thousands of our employees are committed to good causes. In 2003, £1.3 million was set aside by the trustees of the Lloyds TSB Foundations to match money raised and time given by our employees to charities that meet the Foundations' broad grant-giving criteria. And over £1 million was raised for Help the Hospices, our charity of the year. Ten winners of the Lloyds TSB Group's 2003 Community Awards scheme each received a £1,000 cheque for their nominated organisation.

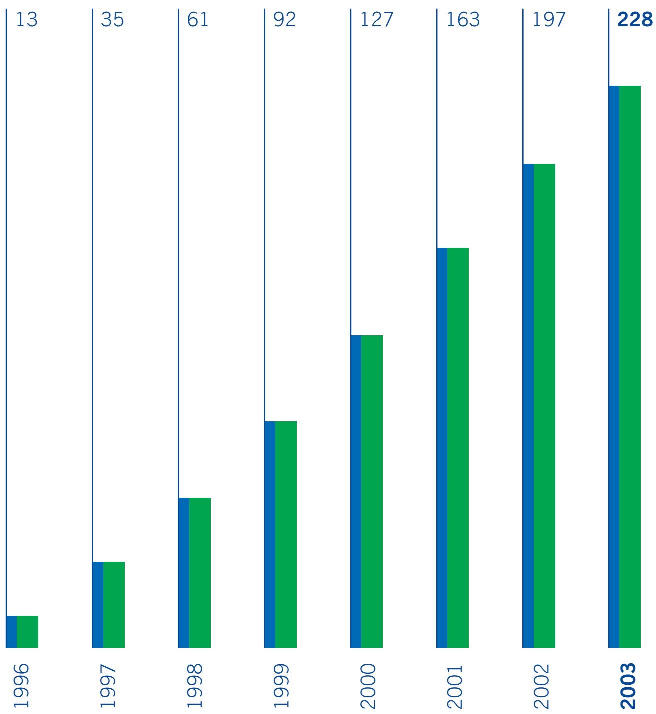
More than £50 million was spent on training and development in 2003. The University for Lloyds TSB (UfLTSB) provided over 71,000 face-to-face training days, in excess of 26,000 places on residential training courses, and a Group-wide network of more than 2,000 multimedia training PCs giving local access to a range of learning materials supplementing internet and intranet sites. 2.4 million hits were received on the UfLTSB intranet site in 2003 compared with 1.8 million in 2002.

Training and development are integral to improving the performance of our people. And we seek to recognise that performance with a competitive range of salaries and an innovative benefits package. *Flavours* is our response to changes in the rules governing taxable benefits for employees and comprises cash allowances, life and medical insurance, redemption vouchers, flexible benefits, an opportunity to share in the Lloyds TSB Group's profit through share schemes and an ability to obtain free company shares. Over 84,000 products have now been selected by our employees and *Flavours* received Employee Benefits magazine's most successful new benefits launch award in 2003.

By encouraging diversity in our workforce, we are better able to serve the community in which our business is rooted. With more women, ethnic minority and disabled employees, and their increasing representation at management level, we can ensure that we leverage the best available talent for our business.

All the evidence shows that these policies and practices, more fully described in our corporate social responsibility report, *The Community & our Business*, are fundamental to creating employee motivation and performance, customer satisfaction and loyalty, community endorsement and appreciation, and supplier commitment. And all, of course, lead directly to long-term value creation for shareholders.

Cumulative distribution to the Lloyds TSB Foundations (£m)



Summary consolidated profit and loss account

for the year ended 31 December 2003

	Continuing operations 2003 £ million	Discontinued operations 2003 £ million	Total 2003 £ million	2002* £ million
Net interest income	**4,744**	**511**	**5,255**	5,171
Other finance income	**34**	**–**	**34**	165
Other income	**4,477**	**142**	**4,619**	3,551
Total income	**9,255**	**653**	**9,908**	8,887
Operating expenses	**4,901**	**272**	**5,173**	4,913
Trading surplus	**4,354**	**381**	**4,735**	3,974
General insurance claims	**236**	**–**	**236**	229
Provisions for bad and doubtful debts	**887**	**63**	**950**	1,029
Amounts written off fixed asset investments	**44**	**–**	**44**	87
Operating profit	**3,187**	**318**	**3,505**	2,629
Share of results of joint ventures	**(22)**	**–**	**(22)**	(11)
Profit on sale of businesses	**–**	**865**	**865**	–
Profit on ordinary activities before tax	**3,165**	**1,183**	**4,348**	2,618
Tax on profit on ordinary activities			**1,025**	766
Profit on ordinary activities after tax			**3,323**	1,852
Minority interests			**69**	62
Profit for the year attributable to shareholders			**3,254**	1,790
Dividends			**1,911**	1,908
Profit (loss) for the year			**1,343**	(118)
Earnings per share			**58.3p**	32.1p
Diluted earnings per share			**58.1p**	32.0p

	£000	£000
Directors' emoluments	**7,045**	5,864

* Figures for 2002 have been restated to reflect the implementation of UITF 37, 'Purchases and sales of own shares' and UITF 38, 'Accounting for ESOP trusts'; and the change in treatment of certain deferred acquisition costs.

Summary consolidated balance sheet

at 31 December 2003

	2003 £ million	2002* £ million
Assets		
Cash and liquid funds	**1,734**	3,549
Loans and advances to banks	**15,547**	17,529
Loans and advances to customers	**135,251**	134,474
Investments	**29,181**	29,565
Intangible fixed assets	**2,513**	2,634
Tangible fixed assets	**3,918**	4,096
Other assets†	**7,309**	9,283
Long-term assurance business attributable to the shareholder	**6,481**	6,213
	201,934	207,343
Long-term assurance assets attributable to policyholders	**50,078**	45,218
	252,012	252,561
Liabilities		
Deposits by banks	**23,955**	25,443
Customer accounts	**116,496**	116,334
Debt securities in issue	**25,922**	30,255
Other liabilities†	**14,756**	16,469
Subordinated liabilities (loan capital)	**10,454**	10,168
Minority interests	**727**	731
Shareholders' funds (equity)	**9,624**	7,943
	201,934	207,343
Long-term assurance liabilities to policyholders	**50,078**	45,218
	252,012	252,561
Memorandum items††		
Contingent liabilities	**9,025**	10,346
Commitments	**79,335**	64,504

* Restated, see page 10.

† Other assets and other liabilities comprise mainly foreign exchange and interest rate contracts, post-retirement benefit liabilities and items in course of transmission.

†† Contingent liabilities comprise mainly guarantees; commitments include undrawn formal standby facilities, credit lines and other commitments to lend.

The summary financial statement on pages 10, 11 and 13 was approved by the directors on 5 March 2004.

M A van den Bergh
Chairman

J E Daniels
Group Chief Executive

M E Fairey
Deputy Group Chief Executive

Five year financial summary

	2003	2002*	2001*	2000*	1999*
Results £m					
Profit before tax	**4,348**	2,618	3,167	3,791	3,477
Profit after tax	**3,323**	1,852	2,290	2,707	2,394
Profit attributable to shareholders	**3,254**	1,790	2,233	2,658	2,388
Economic profit	**2,493**	830	1,123	1,528	1,471
Share information					
Earnings per share	**58.3p**	32.1p	40.4p	48.4p	43.9p
Dividends per share (net)	**34.2p**	34.2p	33.7p	30.6p	26.6p
Market price (year-end)	**448p**	446p	746p	708p	774p
Net assets per share	**170p**	140p	183p	213p	212p
Number of shareholders (thousands)	**974**	973	981	1,026	1,024
Average shares in issue (millions)	**5,581**	5,570	5,533	5,487	5,445
Performance measures %					
Post-tax return on average shareholders' equity	**38.5**	16.8	18.1	21.2	23.4
Post-tax return on average assets†	**1.57**	0.93	1.28	1.68	1.60
Post-tax return on average risk-weighted assets†	**2.63**	1.62	2.26	3.08	2.88
Efficiency ratio	**52.2**	55.3	53.7	48.7	47.3
Balance sheet £m					
Shareholders' equity	**9,624**	7,943	10,326	11,877	11,755
Assets†	**201,934**	207,343	189,317	169,495	153,104
Total assets	**252,012**	252,561	235,501	220,383	179,646
Risk asset ratio: total capital (%)	**11.3**	9.6	8.8	8.6	14.9
tier 1 capital (%)	**9.5**	7.7	7.7	7.9	9.9

* Restated, see page 10.

† Assets exclude long-term assurance assets attributable to policyholders.

Directors' report

Summary directors' report

An interim dividend of 10.7p per ordinary share was paid on 8 October 2003 and a final dividend of 23.5p per ordinary share will be paid on 5 May 2004.

The company is a holding company and its subsidiaries provide a wide range of banking and financial services through branches and offices in the UK and overseas.

During the year the Group sold a number of businesses overseas, including all of its New Zealand operations, its French fund management and private banking businesses and substantially all of its Brazilian business.

A review of the business and an indication of future developments are given on pages 3 to 9.

Biographical details of directors are shown on pages 14 and 15. Mr Atkinson, Mr Butler, Miss Forbes and Mr Moore left the board at the annual general meeting in 2003. Mr Ellwood retired on 31 May 2003 and Mr Ross and Mr Hampton left the board on 30 September 2003 and 12 January 2004, respectively. The Earl of Selborne will retire at the annual general meeting in 2004.

Mr Targett joined the board on 10 March 2003 and was elected at the annual general meeting on 16 April 2003.

Dr Berndt and Mrs Knight joined the board on 1 May 2003, Mr Ayliffe's appointment was effective from 1 June 2003 and Mrs Weir joins the board on 26 April 2004. In accordance with the articles of association, they offer themselves for election at the annual general meeting.

Also in accordance with the articles of association Mr Brown, Mr Daniels, Mr Pritchard and Mr van den Bergh retire at the annual general meeting and offer themselves for re-election.

Particulars of the directors' interests in shares in the company are shown in the full report and accounts.

Directors' remuneration

Full details of the Group's future remuneration policy for directors as well as details of remuneration earned by directors in 2003 can be found in the directors' remuneration report within the full report and accounts. These can be accessed through the Group's website at www.investorrelations.lloydstsb.com or a copy can be obtained by completing the request form that accompanies this annual review. Shareholders will be asked to vote to approve the remuneration report at the forthcoming annual general meeting.

In accordance with recent legislation, summaries of selected sections from the remuneration report have also been included in this review.

Summary of directors' remuneration policy

The Group aims to ensure that the executive directors' remuneration arrangements, in line with the Group's overall practice on pay and benefits, are competitive and designed to attract, retain and motivate executive directors of the highest calibre. Account is taken of information, from internal and independent sources, on the remuneration for comparable positions in a wide range of FTSE 100 companies. The strategy for executive pay is, generally, for basic salaries to reflect the relevant market median, and total direct compensation (basic salary, annual incentives and the value of long-term incentives) to be at the upper quartile of the market place, for upper quartile performance. This strategy is consistent with the Group's belief that performance should determine a significant proportion of the total remuneration package for executive directors.

The current package for executive directors comprises basic salary, a bonus receivable under the annual incentive scheme, share options which are exercisable only if challenging performance conditions are satisfied and a pension based on either salary and length of service with the Group, with a maximum pension of two thirds of final salary, or defined contributions, where the final entitlement will depend on their contribution and the final value of the fund. Newly appointed executive directors' pensions are based on defined contributions. Directors may also participate in the staff share incentive plan and 'sharesave' option scheme on the same basis as other employees.

The annual bonus opportunity is equal to 100 per cent of salary (125 per cent for Mr Daniels). The overall bonus pot is linked to profit before tax and economic profit. Shareholders are being asked at the annual general meeting to approve a new performance share plan in which directors will be required to defer 50 per cent of their 2004 annual bonus into shares in the Group, known as 'bonus shares' which will be held on behalf of the executive for a period of three years before release. Provided a performance condition (Lloyds TSB total shareholder return against a comparator group) (TSR) (calculated by reference to both dividends and growth in share price) is met and the executive remains in employment, additional shares will be awarded after three years to match the bonus shares. Two matching shares will be awarded for each bonus share if the company is placed first in the comparator group. No shares will be awarded if the company is placed below median. There is no retesting of the conditions. Details of the performance share plan are set out in the accompanying notice of meeting.

Options granted in 2004 will only be exercisable if a performance condition linked to TSR against a comparator group is met. The option is exercisable in full if the company is placed first in the comparator group and the option will lapse if it is placed tenth or below.

Subject to shareholder approval of the performance share plan, from 2005 the maximim limit for the grant of options in any year will be reduced to 3 times salary. This limit will be increased to 4 times salary, but only in exceptional circumstances, for example on the recruitment of a new executive. Options will only be exercisable if a performance condition linked to TSR against a comparator group is met. Options would be exercisable in full if the company is placed fourth or above in the comparator group. It will be exercisable as to 30 per cent if it is placed at median and would lapse below median. There would be no retesting of the performance condition.

The general Group policy is for executive directors to have service agreements with notice periods of no greater than one year, to reflect current corporate governance best practice. It is the Group's policy that where compensation on early termination is due, it should be paid on a phased basis. Non-executive directors' remuneration consists of annual fees for their services as members of the board and board committees. Their remuneration is determined by the board and board fees must be within a total amount determined by the shareholders. Non-executive directors do not have service agreements and there is no provision for them to receive compensation on termination.

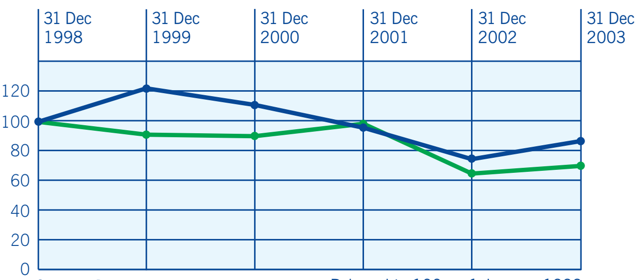
Summary of emoluments paid to directors

	2003 £000	2002 £000
Aggregate emoluments paid to directors	**7,045**	5,864
Aggregate gains made by directors on exercise of share options	**295**	9
Aggregate value of assets receivable under long-term incentive schemes	**–**	–
Aggregate company contributions in respect of directors to defined contribution pension schemes	**49**	–
Number of directors with retirement benefits accruing under:		
– defined contribution schemes	**1**	–
– defined benefit schemes	**9**	9

Performance graph

This graph illustrates the performance of Lloyds TSB Group plc and the FTSE 100 index over the past five years. Performance is measured by total shareholder return (share price growth plus dividends).

Comparative TSR



Source: Datastream Rebased to 100 on 1 January 1999

The board

Non-executive directors

Maarten A van den Bergh◆
Chairman
Joined the Group in 2000 as deputy chairman and was appointed chairman in 2001. Joined the Royal Dutch/Shell Group of companies in 1968 and after a number of senior and general management appointments in that group, became group managing director in 1992. Appointed president of Royal Dutch Petroleum Company and vice chairman of the committee of managing directors of the Royal Dutch/Shell Group in 1998 and continued in these roles until 2000. A non-executive director of Royal Dutch Petroleum Company, BT Group and British Airways. Aged 61.

David P Pritchard
Deputy Chairman
Joined TSB Group in 1995 as group treasurer. Seconded to the Securities and Investments Board as head of supervision & standards, markets & exchanges, from 1996 to 1998. Appointed to the board in 1998, as group executive director, Wholesale and International Banking. Retired from executive duties in 2003, when he was appointed deputy chairman. Held senior and general management appointments with Citicorp from 1978 to 1986 and Royal Bank of Canada from 1986 to 1995. A non-executive director of LCH. Clearnet Group. Aged 59.

Wolfgang C G Berndt✠†
Joined the board in 2003. Joined Procter and Gamble in 1967 and held a number of senior and general management appointments in Europe, South America and North America, before retiring in 2001. A non-executive director of Cadbury Schweppes and GfK AG. Chairman of the Institute for the Future. Aged 61.

Ewan Brown CBE FRSE✠**
Chairman of Lloyds TSB Scotland
A director since 1999. A non-executive director of Lloyds TSB Scotland since 1997. Joined Noble Grossart in 1969 and was an executive director of that company until December 2003. Chairman of Transport Initiatives Edinburgh. A non-executive director of John Wood Group, Noble Grossart and Stagecoach Holdings. Aged 61.

Gavin J N Gemmell CBE✠*
Chairman of Scottish Widows
Joined the board in 2002. A non-executive director of Scottish Widows, having been appointed to the board of that company before it became a member of the Lloyds TSB Group. Retired as senior partner of Baillie Gifford in 2001, after 37 years with that firm. A non-executive director of Archangel Informal Investment. Chairman of the court of Heriot-Watt University. Aged 62.

Christopher S Gibson-Smith✠†
A director since 1999. Chairman of National Air Traffic Services and the London Stock Exchange. Joined BP in 1970, serving as managing director from 1997 to 2001, having held senior and general management appointments in the UK, USA, Canada and Europe. A non-executive director of The British Land Company. Aged 58.

DeAnne S Julius CBE✠†§
Joined the board in 2001. Held a number of senior appointments in the UK and USA with the World Bank, Royal Dutch/Shell Group and British Airways, before membership of the Bank of England Monetary Policy Committee from 1997 to 2001. Chaired HM Treasury's banking services consumer codes review group in 2000/1. Chairman of the Royal Institute of International Affairs. A non-executive director of the Bank of England, BP, Serco Group and Roche Holdings SA. Aged 54.

Angela A Knight✠*
Joined the board in 2003. Deputy chairman of Scottish Widows, having been appointed to the board of that company before it became a member of the Lloyds TSB Group. A member of parliament from 1992 to 1997 and Economic Secretary to the Treasury from 1995 to 1997. Chief Executive of the Association of Private Client Investment Managers and Stockbrokers. A non-executive director of LogicaCMG, South East Water and the Port of London Authority. Aged 53.

Christopher Gibson-Smith Angela Knight The Earl of Selborne David Pritchard Gavin Gemmell Maarten van den Bergh DeAnne Julius Wolfgang Berndt

The board

Executive directors

Sir Tom McKillop▲‡
A director since 1999. Joined ICI in 1969 and held a number of senior and general management appointments before the demerger in 1993, when Zeneca was created. Chief executive of Zeneca Pharmaceuticals from 1994 to 1999 and chief executive of AstraZeneca from 1999. Pro-chancellor of Leicester University. Aged 60.

The Earl of Selborne KBE FRS✠*§
(leaving on 21 May 2004)
A director since 1995, having been a director of Lloyds Bank since 1994. Managing director of The Blackmoor Estate, his family business. Chancellor of Southampton University since 1996. President of the Royal Geographical Society from 1997 to 2000. Aged 63.

* Member of the audit committee
** Chairman of the audit committee
† Member of the remuneration committee
‡ Chairman of the remuneration committee
§ Member of the nomination committee
◆ Chairman of the nomination committee
✠ Independent director
▲ Senior independent director

J Eric Daniels
Group Chief Executive
Joined the board in 2001 as group executive director, UK Retail Banking before his appointment as group chief executive in June 2003. Served with Citibank from 1975 and held a number of senior and general management appointments in the USA, South America and Europe before becoming chief operating officer of Citibank Consumer Bank in 1998. Following the Citibank/Travelers merger in 1998, he was chairman and chief executive officer of Travelers Life and Annuity until 2000. Chairman and chief executive officer of Zona Financiera from 2000 to 2001. Aged 52.

Michael E Fairey
Deputy Group Chief Executive
Joined TSB Group in 1991 and held a number of senior and general management appointments before being appointed to the board in 1997 and deputy group chief executive in 1998. Since January 2004 has also acted as group finance director. Joined Barclays Bank in 1967 and held a number of senior and general management appointments, including managing director of Barclays Direct Lending Services from 1990 to 1991. Aged 55.

Peter G Ayliffe
Group Executive Director, UK Retail Banking
Joined the board in 2003 having previously been managing director Personal Banking since 2000. Held a number of senior and general management appointments in the Lloyds TSB Group since 1985, including three years as branch network director. A non-executive director of Investors in People UK, Visa International Limited and Visa European Union. Served with National Westminster Bank from 1974 to 1985. Aged 51.

Archie G Kane
Group Executive Director, Insurance and Investments
Joined TSB Commercial Holdings in 1986 and held a number of senior and general management appointments in Lloyds TSB Group before being appointed to the board in 2000, as group executive director, IT and Operations. Appointed group executive director, Insurance and Investments in October 2003. After some 10 years in the accountancy profession, joined General Telephone & Electronics Corporation in 1980, serving as finance director in the UK from 1983 to 1985. Aged 51.

Steve C Targett
Group Executive Director, Wholesale and International Banking
Joined the board in 2003. Served with National Australia Bank from 1997, where he held a number of senior and general management appointments in Australia and the UK before becoming chief executive officer, Europe, in 2002. Previously held a number of senior and general management appointments in Cargill, a commodity trading group, from 1980 to 1988, State Bank of South Australia from 1988 to 1991 and ANZ Bank from 1991 to 1997. His early career, between 1972 and 1980, was spent with National Australia Bank. Aged 48.

Helen A Weir
Group Finance Director designate
Joins the board on 26 April 2004. Group finance director of Kingfisher from 2000 to 2004. Previously finance director of B&Q from 1997, having joined that company in 1995, and held a senior position at McKinsey & Co from 1990 to 1995. Began her career at Unilever in 1983. A non-executive director of The City of London Investment Trust. Aged 41.

Company Secretary
Alastair J Michie FCIS FCIBS

Ewan Brown — Sir Tom McKillop — Eric Daniels — Peter Ayliffe — Helen Weir — Archie Kane — Steve Targett — Michael Fairey

Information for shareholders

Auditors' report

The auditors' report on the full accounts for the year ended 31 December 2003 was unqualified and did not include a statement under sections 237(2) (accounting records or returns inadequate or accounts not agreeing with records and returns) or 237(3) (failure to obtain necessary information and explanations) of the UK Companies Act 1985.

Auditors' statement to the members of Lloyds TSB Group plc
We have examined the summary financial information on pages 10, 11 and 13.

Respective responsibilities of directors and auditors
The directors are responsible for preparing the annual review. Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the annual review with the annual financial statements, directors' report, and directors' remuneration report, and its compliance with the relevant requirements of section 251 of the UK Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the annual review and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Our report, including this opinion, has been prepared for and only for the company's members as a body in accordance with Section 251 of the United Kingdom Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion
We conducted our work in accordance with Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board.

Opinion
In our opinion the summary financial information on pages 10, 11 and 13 is consistent with the annual financial statements, directors' report and directors' remuneration report of Lloyds TSB Group plc for the year ended 31 December 2003 and complies with the applicable requirements of section 251 of the Companies Act 1985, and the regulations made thereunder.

PricewaterhouseCoopers, LLP,
Chartered Accountants and
Registered Auditors, Southampton.
5 March 2004

Share price information
In addition to information published in the financial pages of the press, the latest price of Lloyds TSB shares on the London Stock Exchange can be obtained by telephoning 0906 8771515. These telephone calls are charged at 60p per minute, including VAT, or visit www.londonstockexchange.com for details.

Share dealing facilities
The company provides a range of share dealing facilities for the purchase and sale of Lloyds TSB shares.

A postal dealing service is available through Lloyds TSB Registrars. The current rate for both purchases and sales is 0.75%, no minimum. For full details please contact Lloyds TSB Registrars. Telephone 0870 2424244.

A telephone dealing service is available through Lloyds TSB Stockbrokers. The current rate for both purchases and sales is 0.75%, minimum £18.50, maximum £75, for transactions up to £75,000. For full details please contact Lloyds TSB Stockbrokers. Telephone 0845 7888100.

An internet sales service is available through Lloyds TSB Registrars. The current rate for sales is 0.5%, minimum £17.50. Log on to www.shareview.co.uk/dealing for full details.

American Depositary Receipts (ADRs)
Lloyds TSB shares are traded in the USA through an NYSE-listed sponsored ADR facility, with The Bank of New York as the depositary. The ADRs are traded on the New York Stock Exchange under the symbol LYG. The CUSIP number is 539439109 and the ratio of ADRs to ordinary shares is 1:4. For details please contact The Bank of New York, Investor Relations, PO Box 11258, Church Street Station, New York, NY 10286-1258. Telephone (1) 888 BNY ADRS (US toll free), international callers (1) 610 382 7836. Visit www.adrbny.com or email shareowners@bankofny.com for details.

Individual Savings Accounts (ISAs)
The company provides a facility for investing in Lloyds TSB shares through an ISA. For details please contact Lloyds TSB Private Banking ISAs, Freepost, PO Box 249, Haywards Heath, West Sussex RH16 3ZU. Telephone 0845 7418418.

The community and our business
Information about the Group's role in the community and copies of the Group's code of business conduct and its environmental report may be obtained by writing to 'Corporate Responsibility', Lloyds TSB Group plc, 25 Gresham Street, London EC2V 7HN. This information is also available on the Group's website.

Shareholder enquiries
The company's share register is maintained by Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA. Telephone 0870 6003990; textphone 0870 6003950. Please contact them if you have enquiries about your Lloyds TSB shareholding, including those concerning the following matters:

- change of name or address
- loss of share certificate, dividend warrant or tax voucher
- to obtain a form for dividends to be paid directly to your bank or building society account (tax vouchers will still be sent to your registered address unless you request otherwise)
- to obtain details of the dividend reinvestment plan which enables you to use your cash dividends to buy Lloyds TSB shares in the market
- request for copies of the report and accounts in alternative formats for shareholders with disabilities.

Lloyds TSB Registrars operates a web based enquiry and portfolio management service for shareholders. Visit www.shareview.co.uk for details.

Financial calendar 2004

8 March
Results for 2003 announced

17 March
Ex-dividend date for 2003 final dividend

19 March
Record date for final dividend

7 April
Final date for joining or leaving the dividend reinvestment plan for the final dividend

5 May
Final dividend paid

21 May
Annual general meeting in Glasgow

30 July
Results for half-year to 30 June 2004 announced

11 August
Ex-dividend date for 2004 interim dividend

13 August
Record date for interim dividend

8 September
Final date for joining or leaving the dividend reinvestment plan for the interim dividend

6 October
Interim dividend paid

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The information about Lloyds TSB Stockbrokers' services is approved by Lloyds TSB Stockbrokers Limited, which is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority.

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Lloyds TSB Group