

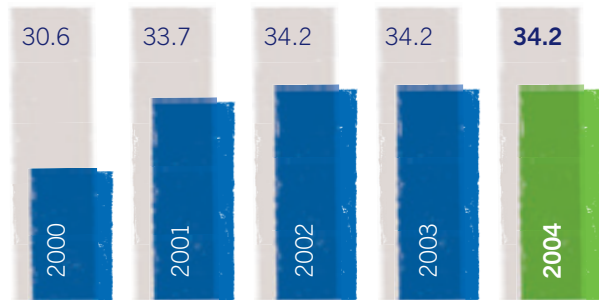
Annual Review
2004



Lloyds TSB Group



Dividends per share (pence)



Delivering earnings **growth**
across all major business **areas**



Profit before tax

By division

	2004 £ million	2003* £ million
UK Retail Banking	1,651	1,471
Insurance and Investments	773	565
Wholesale and International Banking	1,272	1,038
Central group items	(333)	(12)
Profit before tax from continuing operations**	3,363	3,062
Changes in economic assumptions†	(2)	(22)
Investment variance†	147	125
Loss on sale of businesses in 2004†	(15)	–
Discontinued operations in 2003†	–	1,183
Profit before tax	3,493	4,348
Earnings per share	43.3p	58.3p

* Restated to reflect changes in the Group's segmental analysis following the introduction, in 2004, of the management of the Group's distribution channels as profit centres and other changes in internal pricing arrangements.

** Excluding changes in economic assumptions, investment variance and (loss) profit on sale of businesses.

† Changes in economic assumptions and investment variance relate to Insurance and Investments; loss on sale of businesses in 2004 and discontinued operations in 2003 relate to Wholesale and International Banking.

Final dividend

A final dividend of 23.5p per share will be paid on 4 May 2005. This makes a total dividend for 2004 of 34.2p (2003: 34.2p).

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 and general insurance businesses include investment earnings calculated using longer-term investment rates of return. 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, and the profit/loss on the sale of a number of overseas businesses in 2003 and 2004 have been separately analysed and a reconciliation to the Group's profit before tax is shown 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.

The businesses of Lloyds TSB

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 2004 total Group assets were £280 billion and there were some 70,000 employees. Market capitalisation was £26.5 billion.

The main businesses and activities of the Group during 2004 are described below:

UK Retail Banking

A full range of banking and financial services to some 15 million personal customers through some 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 9.1 per cent. Profit before tax from UK Retail Banking was £1,651 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 advisers and directly via the telephone and the internet. Insurance and Investments also includes general insurance underwriting and broking, and fund management. Operating profit was £773 million.

Wholesale and International Banking

Banking, treasury, large value lease finance, long-term agricultural finance, share registration and stockbroking, 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 The Americas and Europe, and Offshore Banking worldwide. Profit before tax, excluding loss on sale of businesses, from Wholesale and International Banking was £1,272 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.



Profitably growing our **retail**
and **corporate** franchises



Chairman's statement



Maarten van den Bergh

Lloyds TSB has a clearly articulated organic growth strategy that is focused on improving and deepening relationships with our personal and business customers. During 2004 this strategy has started to gain traction, with good progress being made in each of our business units. The successful delivery of profitable franchise growth has been central to the Group's return to positive earnings momentum during 2004.

The building blocks of attracting, retaining and developing customer relationships in all areas of our business are the foundations of profitable franchise development and sustainable earnings growth. With this in mind Lloyds TSB has spent much of the last few years putting our customers at the heart of our strategy, ensuring that customer needs drive our business transformation. During 2004 we have continued to improve our product range, we have significantly enhanced our customer service levels, and we have made clear progress in improving the Group's processing efficiency. As a result, customer satisfaction levels are higher than at any time during recent years and we are recruiting a higher number of quality customer relationships.

This focus on our customers, however, has not come at the expense of other stakeholders. We are constantly striving to make Lloyds TSB a great place to work and a great investment opportunity for shareholders. Throughout 2004 I have continued to be impressed by the drive, commitment and enthusiasm of our staff and, particularly, their desire to keep improving all aspects of our business. For shareholders, Lloyds TSB delivered a total shareholder return (share price appreciation plus dividends) of 15 per cent during 2004, a significantly better performance than both the FTSE Bank Index and the FTSE 100 Index. So, 2004 has been a year of good progress for customers, staff and shareholders all of whom are linked by a common desire – the successful delivery of Lloyds TSB's business and financial strategies.

Financial results

During a year when a great deal of management focus has been on positioning the Group to deliver sustainable earnings growth, I am delighted with the 10 per cent growth in profit before tax from the Group's continuing operations, excluding investment variance, changes in economic assumptions and disposal gains/losses. Each division delivered revenue growth in excess of cost growth, credit quality has remained strong and profitability has improved.

Economic outlook

Looking at the UK economy, it is likely that economic growth will continue, with many commentators believing growth in 2005 will remain above 2.5 per cent. Whilst there are downside risks to these expectations, from a possible slowdown in the housing market, there is upside potential as well, such as from higher business investment spending. We expect unemployment and inflation to remain low, and interest rates to peak during 2005. This is a relatively benign economic outlook and operating environment for Lloyds TSB.

Increasing levels of regulation, from both the UK and overseas, have already become a significant burden on all UK financial companies. With the adoption of international financial reporting standards in 2005, this burden is unlikely to ease and the financial services industry in the UK is likely to continue to face significant challenges in the arena of accounting and regulatory change. Whilst Lloyds TSB is well prepared for these challenges, the ongoing cost of compliance will remain considerable.

Our enhanced risk governance framework is now well embedded throughout the Group and risk is a key part of all executive decision making. Reporting and risk aggregation has been enhanced and through our better understanding of risk in the business, we are well placed to take advantage of opportunities to continue to grow our business profitably and safely.

Capital and dividend

During 2004 Lloyds TSB has continued to maintain satisfactory capital ratios, largely as a result of high cash flows generated throughout the business. The Group's post-tax return on equity at 24.3 per cent remains one of the highest amongst the major banks of the world and the board is satisfied with the Group's capital position. In addition, Scottish Widows continues to be one of the most strongly capitalised life assurance companies in the UK.

In line with the rest of the UK banking industry, the Group has now adopted international financial reporting standards and will in future report earnings on the basis of these new standards. Current indications are that this change will not have a material impact on either the earnings of the Group or its regulatory capital position, although some ongoing earnings volatility may arise. The board has decided to maintain the final dividend at 23.5p per share, making a total for the year of 34.2p (2003: 34.2p). This represents a dividend yield of 7.2 per cent, calculated using the 31 December 2004 share price of 473p.

Board changes

Since the annual general meeting last year, we have welcomed two new directors to the board. Truett Tate was appointed as Group Executive Director, Wholesale and International Banking in August 2004 and Sir Julian Horn-Smith joined us, as a non-executive director, in January 2005. Two executive directors, Steve Targett and Peter Ayliffe, left the board in April 2004 and January 2005 respectively, and Sir Tom McKillop retired at the end of his term as a non-executive director in December 2004. David Pritchard and Chris Gibson-Smith will also be retiring at the annual general meeting. All the departing directors leave with our sincere thanks for their contribution to the Group.

Staff

The successful implementation of the Group's strategy is the responsibility of all 70,000 staff employed by the Group. It is their approach to making Lloyds TSB a high performing organisation that has enabled the Group to make such good progress in 2004 and will ensure further progress over the next few years. We have a real opportunity to meet an increasing number of our customers' needs and it is our staff who will make that happen. They are the day-to-day face of the Bank, the heart of all we do and the key to future success. I thank them for their efforts in 2004 and their continuing commitment. Lloyds TSB Group remains one of the UK's largest corporate givers, principally through the excellent work of the independent Lloyds TSB Foundations who made grants to charities of over £27 million in 2004.

Looking forward

Our focus on delivering profitable franchise growth, against a backdrop of significant regulatory and competitive pressure, has led to a good track record of earnings growth. Despite an expected slowdown in consumer lending growth in the UK, I am confident that the delivery of revenue growth in excess of cost growth, combined with strong risk management throughout the organisation, will enable the Group to achieve a continuing high return on equity and sustainable economic profit growth.

Maarten van den Bergh

Chairman

3 March 2005

Continuing to **improve**
service quality and
processing **efficiency**



Group chief executive's review



Eric Daniels

2004 was a good year for Lloyds TSB and, in many respects, marks the closing of one chapter and the opening of another. During the past two years, we worked on a three point plan:

- to enhance the quality, and decrease the volatility, of our earnings
- to maintain our good returns, and
- to achieve growth.

I am pleased to report that we have made good progress on each of these priorities and, in doing so, we have also addressed many of the concerns of our shareholders, which centred on the adequacy of our capital, the sustainability of the dividend and the achievement of growth whilst continuing to deliver strong returns.

Our results in 2004 reflect a higher quality of earnings. The five Latin American businesses that we sold had impacted adversely on our performance, incurring losses amounting to more than £200 million over the five years to 2003, equivalent to a negative return on equity of some 28 per cent. In addition, the earnings lost from the strategic sale of our businesses in New Zealand and Brazil were replaced within a year, as the Group's organic growth strategy continued to deliver.

The work that we have done to allocate our capital more efficiently, as well as the management of our quality and costs, has allowed us to maintain high returns whilst we focused the organisation on delivering growth. Pleasingly, we are starting to demonstrate better growth across all of our divisions and key businesses.

In the *Retail Bank*, income growth exceeded cost growth, we maintained or grew market share in most of the major product categories and we improved the depth of customer relationships. We used the year to put in place a more competitive product set and a new operating model, whereby we now manage the branch network on what we term a 'local markets' basis. In essence, we have returned the branch to being part of the local community and given branch managers greater authority to manage profitability and run their areas as businesses. We recognise that the needs of customers vary by community and, by organising in this way, we believe that we will be both more responsive and effective which will, in turn, result in faster growth. In our test markets, we achieved higher growth in quality customer recruitment and a greater improvement in customer satisfaction than in the rest of the branch network, and this is now starting to deliver an improved sales performance. The new model was extended to the entire branch network in the second half of 2004.

In *Wholesale Banking*, each of the major businesses made good progress in acquiring and deepening customer relationships and all delivered year-on-year profit improvements in excess of 20 per cent. The new management team strengthened our competitive position with enhanced product offerings and more proactive calling efforts. This renewed customer focus and better alignment of relationship and product managers resulted in a 25 per cent uplift in earnings in the Corporate Markets franchise. Business Banking and Asset Finance also performed strongly, supported by good income growth and strong cost control.

In *Insurance and Investments*, our new business contribution in Scottish Widows increased by 21 per cent as we successfully focused on more profitable, and more capital efficient, business lines. The sales of life and pensions products in the branches were encouraging, although we lagged in unit trust sales. During 2004, supported by the launch of a simplified suite of bancassurance products in the second half of the year, we increased our market share of non-IFA life and pensions sales from 7.8 per cent to 8.9 per cent. Overall, life and pensions product sales increased by 9 per cent. In Lloyds TSB Insurance, increased investment resulted in strong growth in sales through direct channels and we maintained our market leading position in home insurance distribution.

In addition to the considerable progress in the divisions, we also used the year to enhance the effectiveness of the Corporate Centre, with the appointment of new directors in the Risk, Audit, Human Resources and Finance functions. This has enabled us to strengthen the operating disciplines across the Group, which provide the framework for us to grow in a sustained fashion.

We are only just beginning to unlock the growth potential of the Lloyds TSB franchise. During 2004, customer satisfaction ratings reached record levels, employee engagement scores rose to their highest level ever, credit quality remained strong and our financial disciplines guided the Group to exceed expectations in terms of financial performance. This gives us a solid underpinning for the future. We still have much to do in terms of improving our execution but I believe we can continue to deliver income growth in a controlled and sustainable way, due to the progress made by the divisions and improvements in our operating processes achieved during 2004.

As we look to the future, we are opening a new chapter focused primarily on growth. We will continue to focus our efforts on our core markets and build our skills to sustain superior performance. Our new priorities are designed to leverage our strengths in those markets and they are:

- to materially *deepen customer relationships*, meeting more of our customers' needs and winning a greater share of their business. In the last year and a half, we have put in place many of the pieces to build stronger relationships; across all of our divisions we have enhanced service performance and we have introduced improved product ranges. We have also introduced local markets in the Retail Bank and built up strong regional centres in the Wholesale Bank. Our task is now to integrate these pieces so that our customers enjoy better value and view us as the place to bring more of their business.
- to *improve our efficiency*, growing our top line whilst improving the productivity of our cost base, using the discipline of 'positive jaws'. As our income grows, we will continue to increase our investment to improve our customer satisfaction ratings and our efficiency, through further development of our quality performance, automation, straight-through processing and the more effective leveraging of our group wide cost base.
- to continue to *enhance the Group's capabilities and processes* to support faster growth. In Finance, we will further develop our capital management disciplines and our understanding of the key drivers of economic profit growth at a more granular level. In Risk, we will continue to build our skill base to enable us to grow with less volatility in our earnings and to take advantage of the strategic benefits of Basel II. In Human Resources, we are developing our people to perform to their full potential and to create the high performance organisation necessary to achieve our goals.

Looking back on the year, we achieved our three point plan and are now making marked progress on the elements of the Group's balanced scorecard. Our capital position is in good shape, with the impact of recent accounting changes incorporated into our plans, and we achieved growth and higher quality earnings. Our staff are engaged and the achievement of these favourable results is due to their commitment and dedication to serving our customers.

I look forward to seeing continued growth and progress against our revised set of priorities in 2005 and beyond.

J Eric Daniels
Group Chief Executive
3 March 2005



We have a clear **opportunity**
to help our customers
achieve their goals



The community and our business

Our business

There is a business case for corporate responsibility. We know very clearly that companies which adopt and embrace corporate responsibility, and link it to their core business, are more likely to create wealth and shareholder value than those that do not.

It is not just about having the right products at the right price, and a relentless pursuit of superior service and accessibility for customers. Having strong values, clear leadership and a responsible corporate culture are also critical if the business is to prosper over time. We want our business to be the first and natural choice for customers and investors.

With some 2,200 branches, Lloyds TSB Group has one of the largest branch networks in the UK as well as being a leading internet and telephone banking provider. Our agreement with the Post Office allows our personal customers to use around 16,000 post offices for their banking needs.

Lloyds TSB has also been at the forefront of developing alternative forms of financial provision and support for those communities where mainstream financial services have traditionally been considered inappropriate or inaccessible. We have been involved in a wide range of projects, on both a commercial and semi-commercial basis, providing capital for loan funds which in turn support individual debt-consolidation, housing improvement, business start-ups and social enterprise.

People and the workplace

People are our greatest asset and we are committed to becoming a world-class organisation in the way we manage and develop them.

We know that corporate responsibility is a factor in the perception that our staff have of Lloyds TSB as an employer and plays a key part in their engagement and satisfaction in working for the Group. We can demonstrate a direct relationship between employee satisfaction, customer satisfaction and, ultimately, shareholder satisfaction.

In the UK, where we employ over 68,000 people, our employment policies are continually monitored and benchmarked against other companies to ensure that, as one of the UK's largest employers, we remain at the leading edge of employment practice. Our workforce policies and programmes are focused on ensuring that all our employees believe that Lloyds TSB is a great place to work and an employer of choice.

Our commitment to Investors in People (IIP) is about promoting a culture of career-long learning and a need to equip our staff with the skills and knowledge that will help them to perform in the workplace. In 2004, 87 per cent of our employees worked for business units that are IIP accredited.

Almost £42 million was invested in employee training and development across the Group in 2004. The University for Lloyds TSB provided over 67,000 face-to-face training days and in excess of 29,000 delegate places on residential training courses. We seek to use awards and qualifications as a means of benchmarking staff achievement against external standards.

We are committed to improving the diversity of our workforce in terms of the representation of women, ethnic minority employees and disabled employees at all levels in our organisation. We encourage all employees to develop a balance between their personal and professional lives through our Work Options policy. This provides staff with the opportunity to adopt any one of a number of flexible working practices such as job sharing, variable and compressed hours and term-time working. As a result 34 per cent of our workforce currently work flexibly.

Community involvement

Lloyds TSB is a significant presence in every community. The customers we serve and the staff that serve them are drawn from those same communities. We have one of the largest community investment programmes in the UK, supporting our customers and staff, and making a significant contribution to improving the social fabric of the local environment in which our business operates.

Community investment is not just about giving money to good causes. It is also about the substantial time given by our staff in supporting the work of community organisations, whether raising money, providing business expertise or simply providing another willing pair of hands.

The Group Community Awards scheme celebrates staff achievement and rewards them for their work in the local community. In 2004, nearly 150 nominations were received and each of the 10 winners was presented with a £1,000 cheque for their nominated organisations.

Of course, cash giving is also important. Every year we support our staff's commitment to local communities through the matched giving scheme. In 2004 the Lloyds TSB Foundations set aside £1.25 million to match money raised for, and the time given to, charity by Lloyds TSB staff. More than 4,000 staff took part in the scheme, raising a total for charities of more than £3.4 million. One of our biggest group wide activities is our Charity of the Year fundraising. In 2004, staff raised over £1 million for NSPCC and Children 1ST.

The majority of Lloyds TSB's charitable giving is channelled through the four independent Lloyds TSB Foundations, which cover England and Wales, Scotland, Northern Ireland and the Channel Islands. Their mission is to improve the lives of people in local communities, especially those who are disadvantaged or disabled.

The Lloyds TSB Foundations together receive one per cent of the Group's pre-tax profits, averaged over three years, in lieu of their shareholder dividend. Since 1997, they have received £228 million to distribute to grassroots causes. In 2005, they will receive a further £31.2 million to distribute to community groups.

More information on these issues is available in the Group's 2004 corporate responsibility report and there are details of how to obtain a copy of this document on page 16.

Summary consolidated profit and loss account

for the year ended 31 December 2004

	2004 £ million	Continuing operations 2003 £ million	Discontinued operations 2003 £ million	Total 2003 £ million
Net interest income	4,920	4,744	511	5,255
Other finance income	39	34	–	34
Other income	4,608	4,477	142	4,619
Total income	9,567	9,255	653	9,908
Operating expenses	4,917	4,901	272	5,173
Trading surplus	4,650	4,354	381	4,735
General insurance claims	224	236	–	236
Provisions for bad and doubtful debts	866	887	63	950
Amounts written off fixed asset investments	52	44	–	44
Operating profit	3,508	3,187	318	3,505
Share of results of joint ventures	–	(22)	–	(22)
(Loss) profit on sale of businesses	(15)	–	865	865
Profit on ordinary activities before tax	3,493	3,165	1,183	4,348
Tax on profit on ordinary activities	1,004			1,025
Profit on ordinary activities after tax	2,489			3,323
Minority interests	68			69
Profit for the year attributable to shareholders	2,421			3,254
Dividends	1,914			1,911
Profit for the year	507			1,343
Earnings per share	43.3p			58.3p
Diluted earnings per share	43.0p			58.1p
	£000			£000
Directors' emoluments	8,478			7,045

Summary consolidated balance sheet

at 31 December 2004

	2004 £ million	2003 £ million
Assets		
Cash and liquid funds	1,170	1,734
Loans and advances to banks	23,565	15,547
Loans and advances to customers	154,240	135,251
Investments	25,462	29,181
Intangible fixed assets	2,425	2,513
Tangible fixed assets	4,181	3,918
Other assets†	7,255	7,309
Long-term assurance business attributable to the shareholder	6,781	6,481
	225,079	201,934
Long-term assurance assets attributable to policyholders	54,764	50,078
	279,843	252,012
Liabilities		
Deposits by banks	39,738	23,955
Customer accounts	122,062	116,496
Debt securities in issue	27,217	25,922
Other liabilities‡	15,237	14,756
Subordinated liabilities (loan capital)	10,252	10,454
Minority interests	596	727
Shareholders' funds (equity and non-equity)	9,977	9,624
	225,079	201,934
Long-term assurance liabilities to policyholders	54,764	50,078
	279,843	252,012
Memorandum items‡		
Contingent liabilities	8,526	9,025
Commitments	85,290	79,335

† 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 3 March 2005.

Maarten A van den Bergh
Chairman

J Eric Daniels
Group Chief Executive

Helen A Weir
Group Finance Director

Five year financial summary

	2004	2003	2002	2001	2000
Statutory results £m					
Profit before tax	3,493	4,348	2,618	3,167	3,791
Profit after tax	2,489	3,323	1,852	2,290	2,707
Profit attributable to shareholders	2,421	3,254	1,790	2,233	2,658
Economic profit	1,525	2,493	830	1,123	1,528
Share information					
Earnings per share	43.3p	58.3p	32.1p	40.4p	48.4p
Dividends per share (net)	34.2p	34.2p	34.2p	33.7p	30.6p
Market price (year-end)	473p	448p	446p	746p	708p
Net assets per share	176p	170p	140p	183p	213p
Number of shareholders (thousands)	953	974	973	981	1,026
Average shares in issue (millions)	5,590	5,581	5,570	5,533	5,487
Performance measures %					
Post-tax return on average shareholders' equity	24.3	38.5	16.8	18.1	21.2
Post-tax return on average assets†	1.17	1.57	0.93	1.28	1.68
Post-tax return on average risk-weighted assets†	2.01	2.63	1.62	2.26	3.08
Efficiency ratio	51.4	52.2	55.3	53.7	48.7
Balance sheet £m					
Shareholders' funds (equity and non-equity)	9,977	9,624	7,943	10,326	11,877
Assets†	225,079	201,934	207,343	189,317	169,495
Total assets	279,843	252,012	252,561	235,501	220,383
Risk asset ratio: total capital (%)	10.0	11.3	9.6	8.8	8.6
tier 1 capital (%)	8.9	9.5	7.7	7.7	7.9

† 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 6 October 2004 and a final dividend of 23.5p per ordinary share will be paid on 4 May 2005.

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.

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. The Earl of Selborne left the board at the annual general meeting in 2004. Mr Hampton, Mr Targett, Sir Tom McKillop and Mr Ayliffe left the board on 12 January 2004, 30 April 2004, 31 December 2004 and 31 January 2005, respectively.

Dr Gibson-Smith and Mr Pritchard will leave the board at the annual general meeting in 2005.

Mrs Weir joined the board on 26 April 2004 and was elected at the annual general meeting on 21 May 2004.

Mr Tate and Sir Julian Horn-Smith joined the board on 1 August 2004 and 1 January 2005, respectively. 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 Gemmell, Mr Fairey and Dr Julius 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 remuneration policy for directors as well as details of remuneration earned by directors in 2004 appear in the directors' remuneration report within the full report and accounts. This may also be seen in the investor relations section of the Group's website at www.lloydstsb.com or a copy may be obtained by completing the request form which accompanies this annual review. Shareholders will be asked to vote on the directors' remuneration report at the annual general meeting.

Summaries of selected sections of the directors' remuneration report are included in this review.

Summary of directors' remuneration policy

The Group's policy is to ensure that individual rewards are aligned with Lloyds TSB Group's performance and the interests of shareholders. Packages are designed to attract and retain executive directors and senior management of the highest calibre and to motivate them to perform to the highest standards. The overall package reflects practice for comparable positions in the market in which Lloyds TSB Group operates (FTSE 30) and also takes account of the terms and conditions applying to other employees of the Group. The policy is 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 reward upper quartile performance with upper quartile remuneration. This policy 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. The executive directors, the chairman and the deputy chairman are also eligible to participate in the staff share incentive plan and 'sharesave' option scheme on the same basis as other employees.

The 2004 annual bonus opportunity was 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. Directors will be required to defer 50 per cent of their 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.

In 2005, the maximum size of the bonus pool applicable to executive directors, other than the group chief executive, will remain at 100 per cent of the aggregate of their basic salaries; the maximum level of any individual bonus award from the pool has been set at 150 per cent of salary to reward exceptional performance and to reflect the competitive market position for total earnings opportunity. The maximum bonus opportunity for Mr Daniels has also been set at 150 per cent of basic salary for exceptional performance, to increase the proportion of pay which is performance linked and to reflect the competitive market position for total earnings opportunity.

Options granted in 2005 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 fourth in the comparator group and the option will lapse if it is placed ninth or below. 30 per cent of the options granted will be exercisable if the Company is placed at median of the comparator group. There will 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.

The fees of the independent non-executive directors are agreed by the board within a total amount determined by the shareholders. They may also receive fees, agreed by the board, for membership of board committees. The fees are designed to recognise the responsibilities of the role and to attract individuals with relevant skills, knowledge and experience. The fees are neither performance related nor pensionable and are comparable with those paid by other companies. Independent non-executive directors who serve on boards of subsidiary companies may also receive fees from the subsidiaries. Independent non-executive directors do not have service agreements and, in accordance with the articles of association, their appointment may be terminated at any time without compensation.

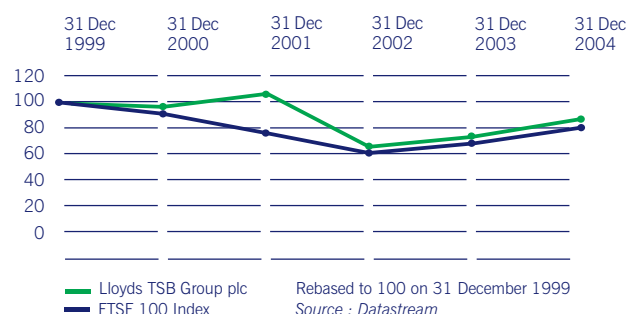
Summary of emoluments paid to directors

	2004 £000	2003 £000
Aggregate emoluments paid to directors	8,478	7,045
Aggregate gains made by directors on exercise of share options	–	295
Aggregate value of assets receivable under long-term incentive schemes	–	–
Aggregate company contributions in respect of directors to defined contribution pension schemes	75	49
Number of directors with retirement benefits accruing under:		
– defined contribution schemes	2	1
– defined benefit schemes	6	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



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 62.



Maarten A van den Bergh



Christopher S Gibson-Smith

Christopher S Gibson-Smith*†♦

(leaving on 5 May 2005)

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 59.

Sir Julian Horn-Smith*†+

Joined the board on 1 January 2005. Joined Vodafone in 1984 and held a number of senior and general management appointments before being appointed to the board of that company in 1996 and deputy chief executive officer in 2005. Previously held positions in Rediffusion from 1972 to 1982 and Mars GB from 1982 to 1984. A non-executive director of Smiths Group. Aged 56.



David P Pritchard



Sir Julian Horn-Smith

David P Pritchard++

Deputy Chairman

(leaving on 5 May 2005)

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 60.



Wolfgang C G Berndt



DeAnne S Julius

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 BP, Serco Group and Roche Holdings SA. Aged 55.

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. Board member of the Institute for the Future. Aged 62.



Ewan Brown



Angela A Knight

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 and the Port of London Authority. Aged 54.

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 62.



Gavin J N Gemmell

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 63.

- * Member of the audit committee
- ** Chairman of the audit committee
- ♦ Member of the nomination committee
- ◆ Chairman of the nomination committee
- † Member of the remuneration committee
- †† Chairman of the remuneration committee
- †+ Member of the risk oversight committee
- ++ Chairman of the risk oversight committee
- ⌘ Independent director
- ▲ Senior independent director

Executive directors

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 53.



J Eric Daniels



G Truett Tate

G Truett Tate

Group Executive Director, Wholesale and International Banking

Joined the Group in 2003 as managing director, Corporate Banking before being appointed to the board in 2004. Served with Citigroup from 1972 to 1999, where he held a number of senior and general management appointments in the USA, South America, Asia and Europe. He was president and chief executive officer of eCharge Corporation from 1999 to 2001 and co-founder and vice chairman of the board of Chase Cost Management Inc from 1996 to 2003. Aged 54.

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. He is also acting as interim group executive director, UK Retail Banking. 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. President of The British Quality Foundation. Aged 56.



Michael E Fairey



Helen A Weir

Helen A Weir

Group Finance Director

Joined the board in 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 42.

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 52.



Archie G Kane

Company Secretary

Alastair J Michie FCIS FCIBS

Information for shareholders

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 877 1515. These telephone calls are charged at 50p per minute including VAT, or visit www.londonstockexchange.com for details.

Share dealing facilities

A full range of dealing services is available through Lloyds TSB Registrars.

For internet dealing the current rate of commission for both purchases and sales is 0.5%, minimum £17.50. Visit www.shareview.co.uk/dealing for full details.

For telephone dealing the current rate for both purchases and sales is 0.5%, minimum £20. For full details please contact Lloyds TSB Registrars on: Telephone 0870 850 0852.

For postal dealing the current rate for both purchases and sales is 0.75%, no minimum. For full details please contact Lloyds TSB Registrars on: Telephone 0870 242 4244.

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 depository. 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 Services, 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 741 8418.

The community and our business

A copy of the Group's corporate responsibility report may be obtained by writing to Corporate Responsibility, Lloyds TSB Group plc, 25 Gresham Street, London EC2V 7HN. This information together with the Group's code of business conduct 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 600 3990; textphone 0870 600 3950. 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.

Auditors' report

The auditors' report on the full accounts for the year ended 31 December 2004 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 Companies Act 1985.

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

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual review in accordance with applicable law. 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 United Kingdom 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.

This statement, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 251 of the 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 statement 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 for use in the United Kingdom.

Opinion

In our opinion the summary financial statement 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 2004 and complies with the applicable requirements of section 251 of the Companies Act 1985, and the regulations made thereunder.

Financial calendar 2005

4 March

Results for 2004 announced

16 March

Ex-dividend date for 2004 final dividend

18 March

Record date for final dividend

6 April

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

4 May

Final dividend paid

5 May

Annual general meeting in Glasgow

29 July

Results for half-year to 30 June 2005 announced

10 August

Ex-dividend date for 2005 interim dividend

12 August

Record date for interim dividend

7 September

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

5 October

Interim dividend paid

Head office

25 Gresham Street
London EC2V 7HN
Telephone +44 (0)20 7626 1500

Registered office

Henry Duncan House
120 George Street
Edinburgh EH2 4LH
Registered in Scotland no 95000

Registrar

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA
Telephone 0870 600 3990
Overseas +44 (0)121 415 7047

Internet

www.lloydstsb.com

Designed by Starling Design/The Team.
Printed in the UK by Royle Corporate Print.
This document is printed on paper produced
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elemental chlorine free process by an
ISO14001 accredited mill.

