
2004 Annual Results

4 March 2005

Helen Weir
Group Finance Director



Lloyds TSB Group

Headline results – continuing operations*

	<u>2003</u>	<u>2004</u>	<u>% Change</u>
Profit before tax	£3,062m	£3,363m	+10%
Economic profit	£1,329m	£1,442m	+9%
Earnings per share	37.4p	41.8p	+12%
Dividends per share	34.2p	34.2p	
Post-tax return on equity	23.1%	23.5%	

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

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Impact of major items

£m	<u>Income</u>	<u>Costs</u>	<u>PBT</u>	<u>Treatment in Presentation</u>
Sales of EMD bonds/ closed foreign exchange positions in 2003	295	-	295	} Consolidated in single line item (2003)
Customer redress provisions in 2003	(100)	(200)	(300)	
Net impact	195	(200)	(5)	
Notional interest on NBNZ/Brazil proceeds	114	-	114	Increase in 2003 income
Customer redress provisions in 2004	(12)	(100)	(112)	Consolidated in single line item (2004)

Headline results – continuing operations*

£m	2003†	2004	% Change
Total income	9,071	9,434	4
Operating expenses	4,701	4,817	2
Trading surplus	4,370	4,617	6
General insurance claims	236	224	(5)
Bad debt provisions	887	866	(2)
Other	(66)	(52)	
Trading profit	3,181	3,475	9
Net impact of one-offs	(5)	(112)	
Notional interest	(114)	-	
Profit before tax	3,062	3,363	10

* excluding investment variance, changes in economic assumptions, and profit/loss on sale of businesses

† also includes notional interest earned on sale proceeds of businesses sold in 2003

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Momentum in key divisions*

£m	2003†	2004	% Change
UK Retail Banking	1,671	1,751	5
Insurance & Investments	665	785	18
Wholesale & International Banking			
- Wholesale	908	1,115	23
- International Banking	130	157	21
	1,038	1,272	23
Central group items	(193)	(333)	
Profit before tax	3,181	3,475	9

* continuing operations, excluding investment variance, changes in economic assumptions, profit/loss on sale of businesses, customer redress provisions and the sale of EMD bonds/forex closures

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Good half on half growth*

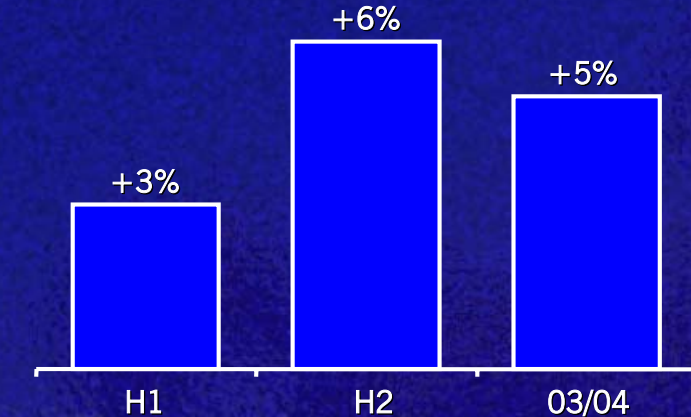
£m	<u>2004H1</u>	<u>2004H2</u>	<u>% Change</u>
UK Retail Banking	818	933	14
Insurance & Investments	378	407	8
Wholesale & International Banking			
- Wholesale	510	605	19
- International Banking	106	51	(52)
	616	656	6
Central group items	(167)	(166)	-
Profit before tax	<u>1,645</u>	<u>1,830</u>	11

* continuing operations, excluding investment variance, changes in economic assumptions, profit/loss on sale of businesses, and customer redress provisions

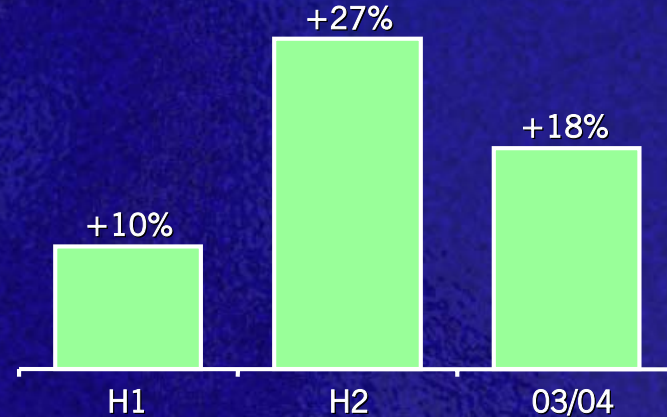
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Improving momentum*

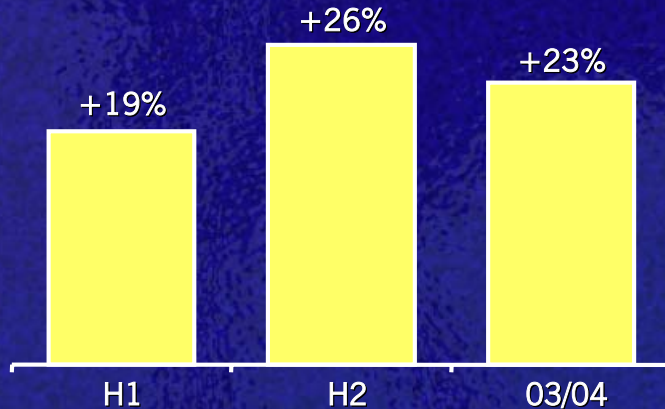
UK Retail Banking



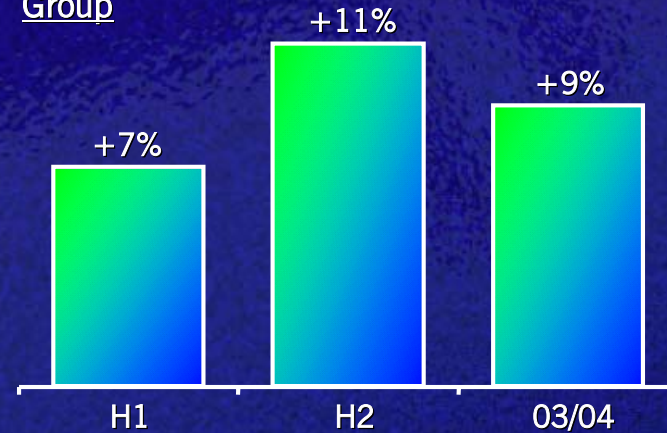
Insurance & Investments



Wholesale



Group



* profit before tax, excluding investment variance, changes in economic assumptions, profit/loss on sale of businesses, customer redress provisions, the sale of EMD bonds/forex closures and 2003 also includes notional interest earned on sale proceeds of businesses sold in 2003

Continuing operations – income*

£m	<u>2003†</u>	<u>2004</u>	<u>% Change</u>
Net interest income	4,864	4,920	1
Other finance income	34	39	15
Other income	4,173	4,475	7
Total income	<u>9,071</u>	<u>9,434</u>	4

* excluding investment variance, changes in economic assumptions, profit/loss on sale of businesses, customer redress provisions and the sale of EMD bonds/forex closures

† also includes notional interest earned on sale proceeds of businesses sold in 2003

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Net interest income drivers by division*

£m	<u>2003†</u>	<u>Volume</u>	<u>Rate</u>	<u>Other</u>	<u>2004</u>	<u>% Change</u>
UK Retail Banking	3,137	364	(329)	26	3,198	2
Insurance & Investments	81	17	1	-	99	22
Wholesale & International Banking	1,875	15	78	(2)	1,966	5
Central group items	(229)	-	-	(114)	(343)	(50)
Mix variance	-	(22)	22	-	-	-
	<u>4,864</u>	<u>374</u>	<u>(228)</u>	<u>(90)</u>	<u>4,920</u>	<u>1</u>

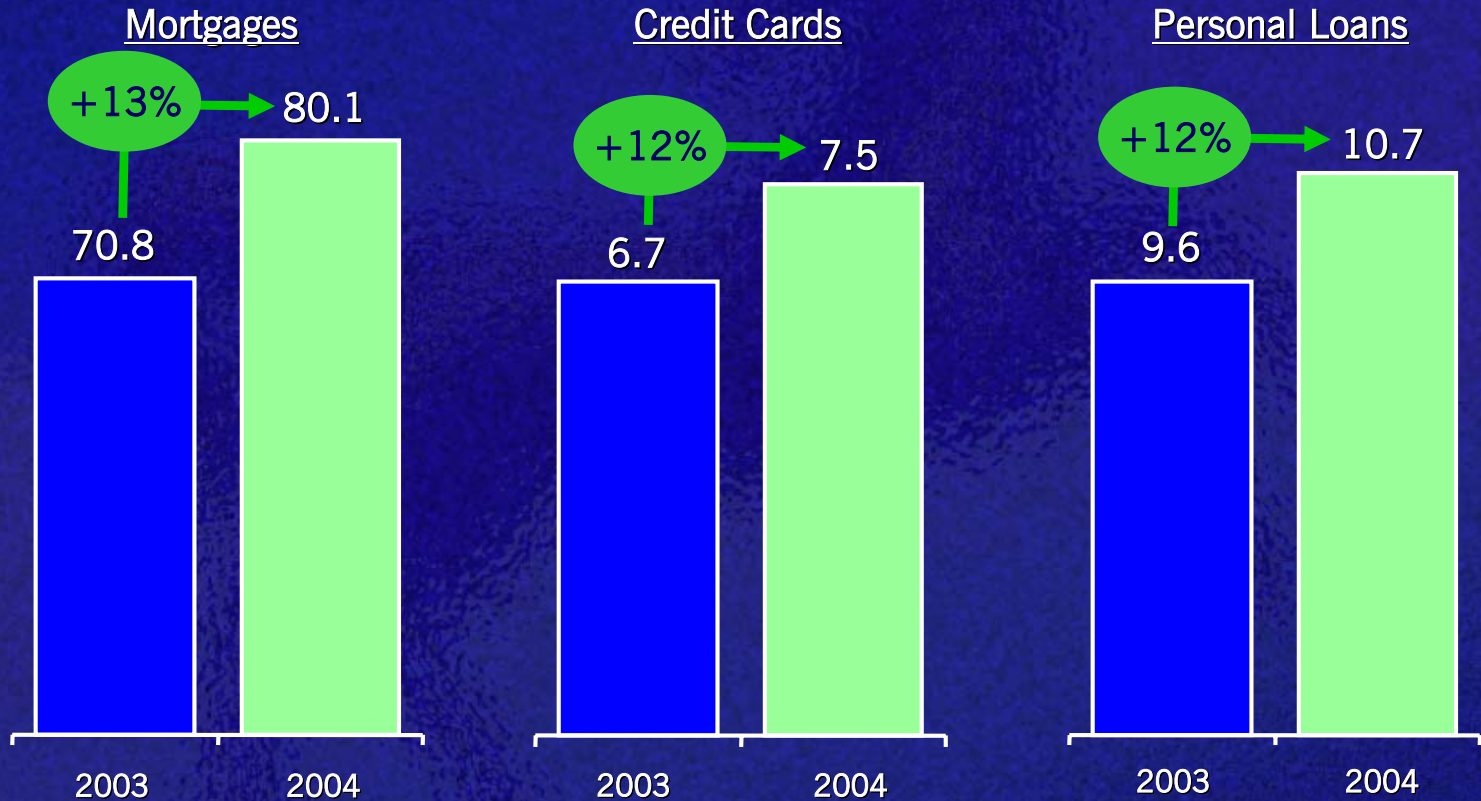
* continuing operations, excluding investment variance and the sale of EMD bonds/forex closures

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UK Retail Banking franchise growth

Period-end Balances (£bn)



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Net interest income drivers by division*

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	<u>4,864</u>	<u>374</u>	<u>(228)</u>	<u>(90)</u>	<u>4,920</u>	<u>1</u>

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Continuing operations – other income*

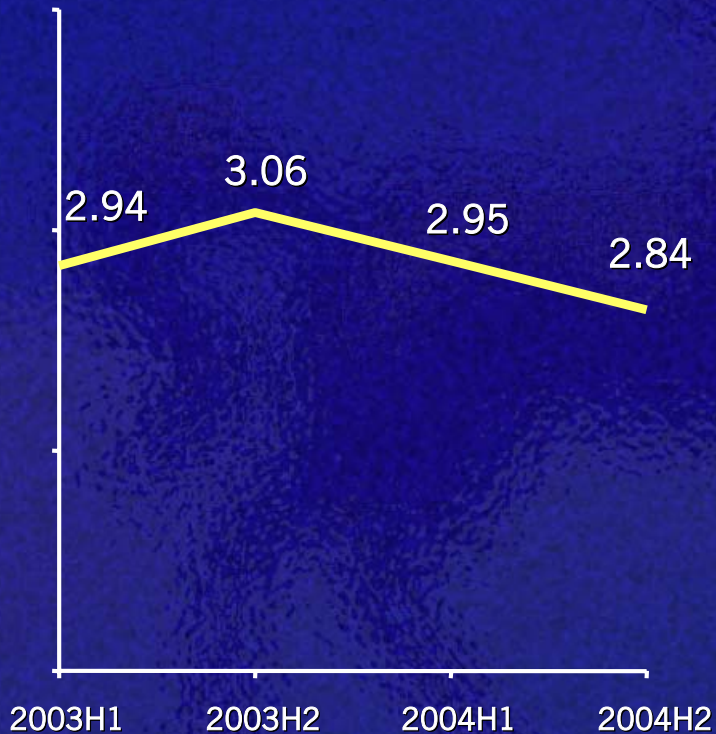
£m	<u>2003</u>	<u>2004</u>	<u>% Change</u>
UK Retail Banking	1,533	1,639	7
Insurance & Investments	1,081	1,182	9
Wholesale & International Banking	1,561	1,641	5
Central group items	(2)	13	
	<u>4,173</u>	<u>4,475</u>	7

* excluding investment variance, changes in economic assumptions, loss on sale of businesses, customer redress provisions and the sale of EMD bonds/forex closures

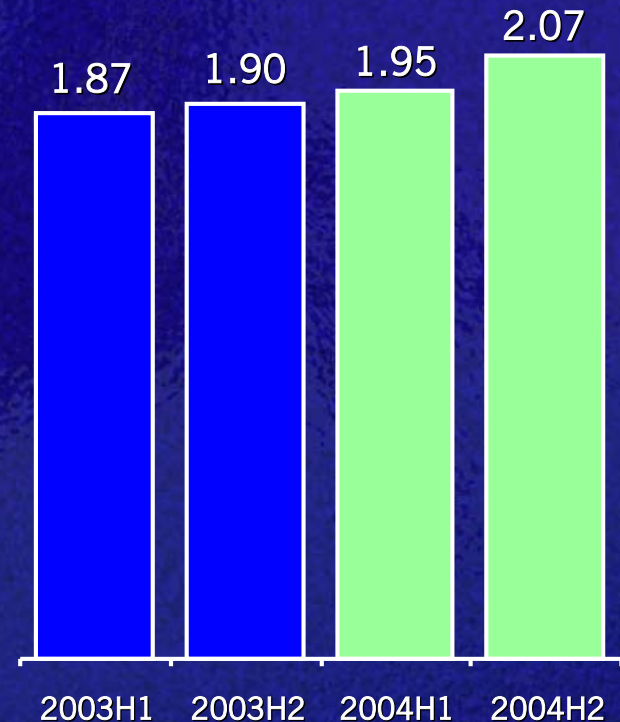
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Margins and return on risk-weighted assets*

Net Interest Margin (%)



Post-tax Return on Risk-weighted Assets (%)



* continuing operations, excluding investment variance, changes in economic assumptions, loss on sale of businesses, customer redress provisions, and the sale of EMD bonds/forex closures

Strong cost control*

£m	<u>2003</u>	<u>2004</u>	<u>% Change</u>
UK Retail Banking	2,383	2,413	1
Insurance & Investments	261	272	4
Wholesale & International Banking	2,048	2,090	2
Central group items	9	42	
	<u>4,701</u>	<u>4,817</u>	2

* continuing operations, excluding customer redress provisions

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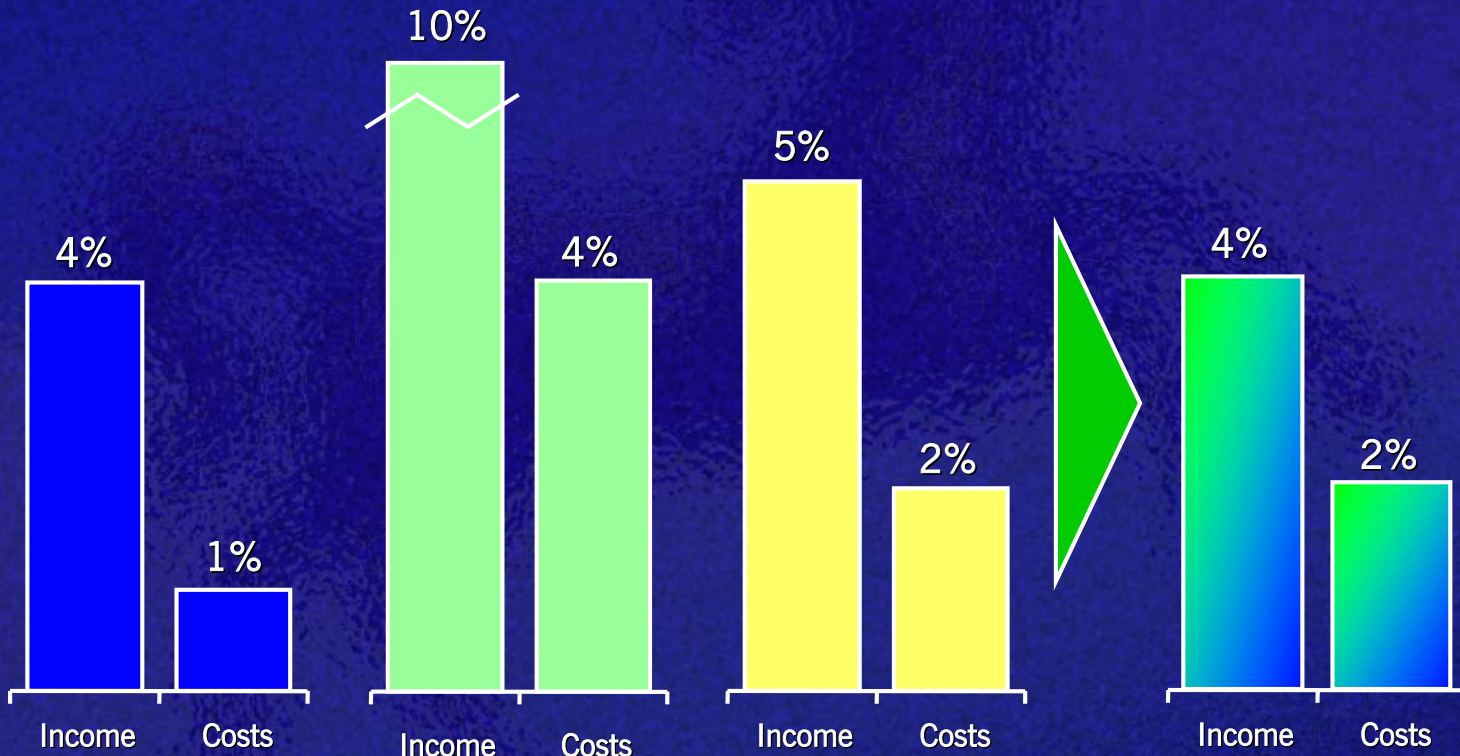
Income growth ahead of costs in all divisions*

UK Retail Banking

Insurance & Investments

Wholesale & International

Group†



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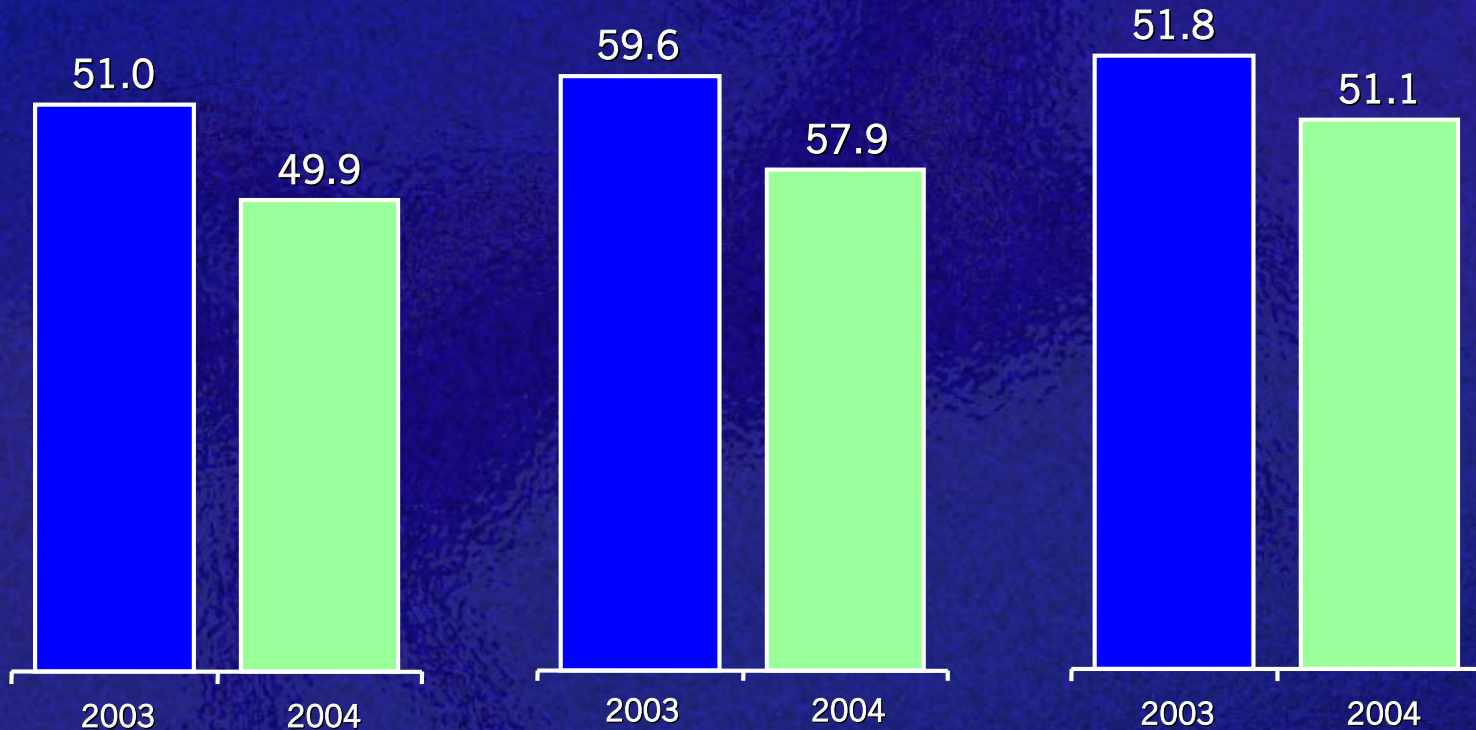
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Cost:income ratio improvements*

UK Retail Banking (%)

Wholesale & International (%)

Group (%)



* continuing operations, excluding investment variance, changes in economic assumptions, loss on sale of businesses, customer redress provisions, the sale of EMD bonds/forex closures, and including interest earned on the sale proceeds of businesses sold in 2003

Lloyds TSB Group

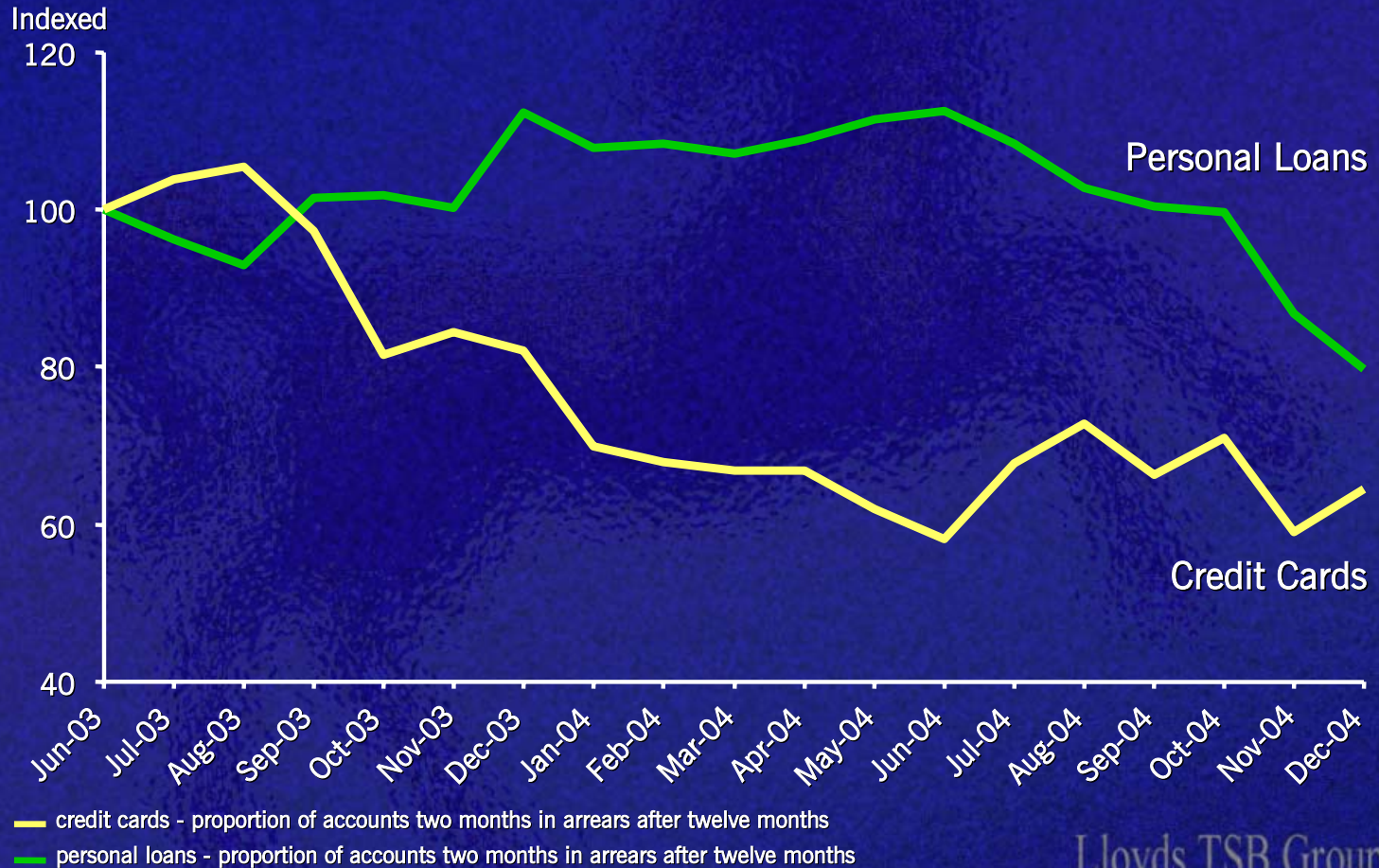
Charge for bad and doubtful debts*

	2003	2004	Variance	% of Average Lending	
	£m	£m	%	2003	2004
UK Retail Banking	594	673	(13)	0.72	0.71
- Personal loans/overdrafts	430	473	(10)	4.25	4.20
- Credit cards	182	242	(33)	3.19	3.42
- Mortgages	(18)	(42)		(0.03)	(0.06)
Wholesale & International Banking	306	193	37	0.60	0.37
Central group items	(13)	-			
Total charge	887	866	2	0.66	0.59

* continuing operations

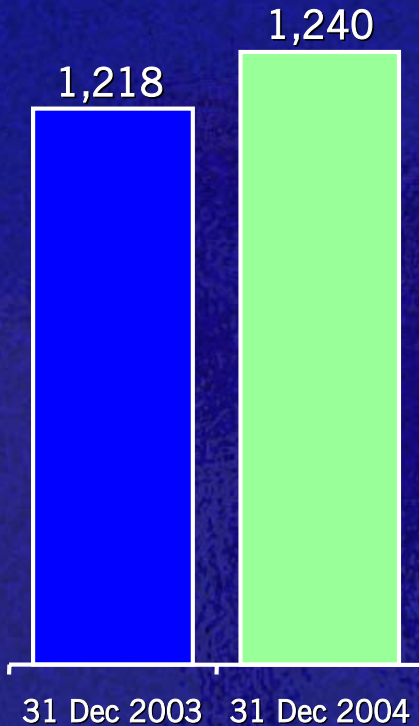
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Asset quality – dynamic delinquency trends

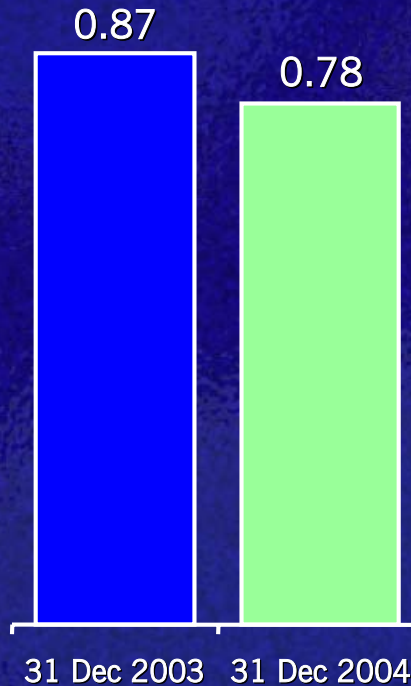


Asset quality – non-performing lending*

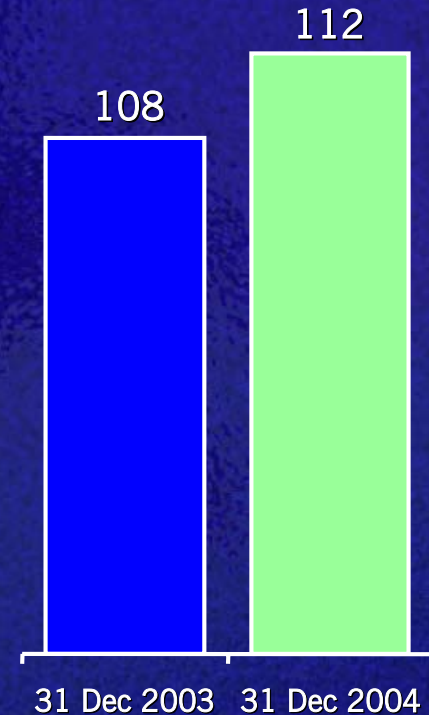
Non-performing Lending
(£m)



NPL's as a Percentage of
Total Lending (%)



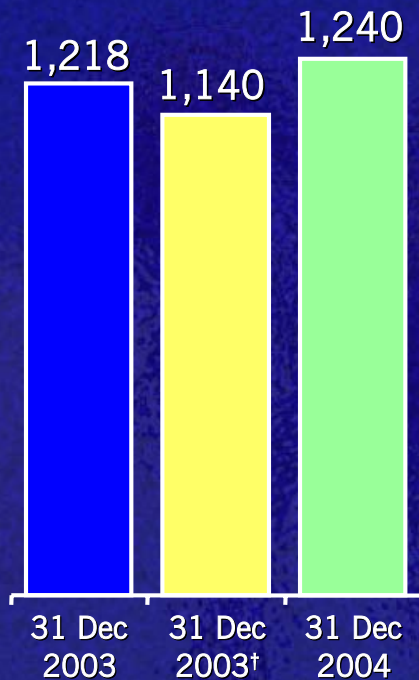
Specific Provisions as a
Percentage of NPL's (%)



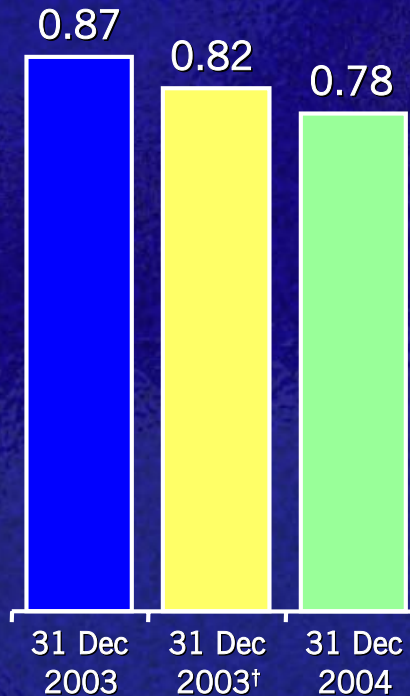
* continuing operations

Asset quality – non-performing lending*

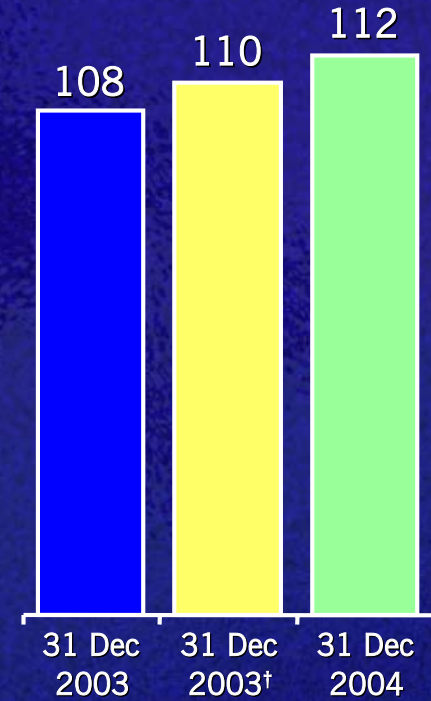
Non-performing Lending (£m)



NPL's as a Percentage of Total Lending (%)



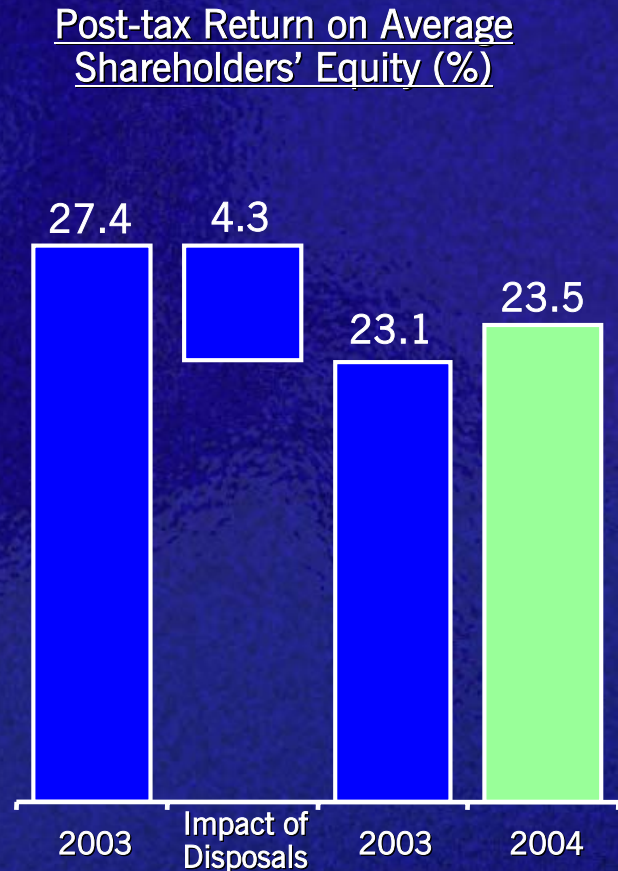
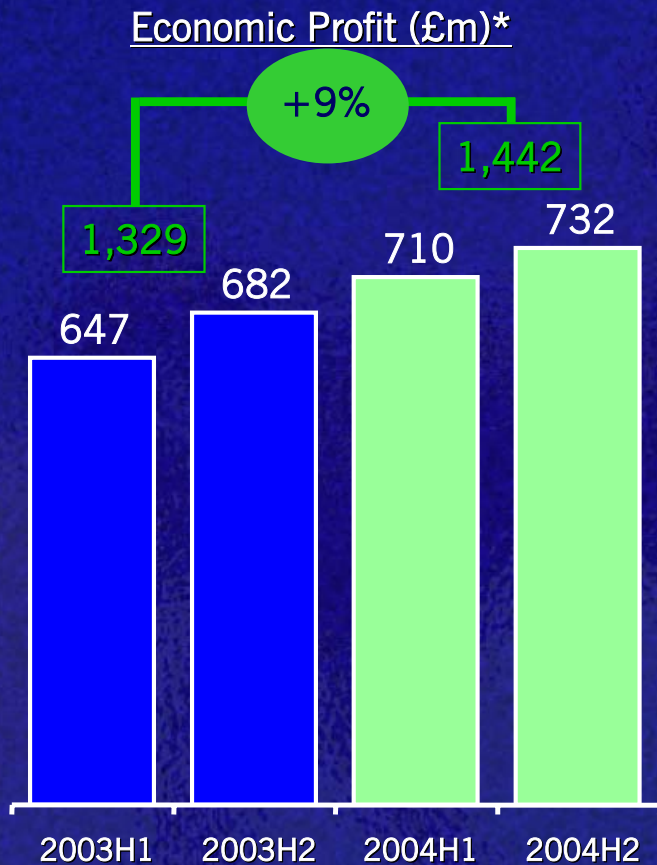
Specific Provisions as a Percentage of NPL's (%)



* continuing operations

† excluding 2004 business disposals

Economic profit and ROE improvements



* continuing operations, excluding investment variance, changes in economic assumptions, and profit/loss on sale of businesses

Capital position robust

- Capital ratios remain strong:
 - tier 1 ratio : 8.9%
 - total capital ratio : 10.0%
- Strong credit ratings maintained
 - Moody's : 'Aaa'
 - S&P : 'AA' (negative outlook)
 - Fitch : 'AA+'
- Sufficient retained earnings to support expected risk-weighted asset growth

Scottish Widows – capital strength

- New business margin increased to 28.6% (2003: 25.8%)
- Improved new business internal rate of return in each distribution channel
- Free asset ratio increased to 17.0%
- Scottish Widows has paid a 2004 dividend to Lloyds TSB of £200 million



- Scottish Widows remains one of the most strongly capitalised life assurance companies in the UK

Scottish Widows – strong realistic balance sheet

	With-Profits Fund £bn	Long-Term Fund £bn
Available assets, including support account	19.1	21.8
Realistic value of liabilities	(18.1)	(17.7)
Net surplus	1.0	4.1
Working capital ratio	5.1%	19.0%
Risk capital margin cover	2.4x	9.3x

No material impact of IFRS implementation*

- Effective interest rates
- Life assurance
- Goodwill
- Equity to debt reclassification
- Pensions
- Dividends



	<u>2005 £m</u>
Profit before tax:	less than 5%
Attributable profit:	less than 5%
Total capital:	not material

* excluding market impact of IAS 39 and FRS 27

Implementation of Basel II

- Early implementation – 2007
- We expect lower risk-weighted assets – up to 20% over time – with a phased benefit introduction
- CP05/3, published January 2005, states that there will be ‘no impact at all on the overall level of regulatory capital’

Summary – key performance highlights

- Good earnings momentum throughout the Group
- Improved return on risk-weighted assets
- Costs remain firmly under control
- Asset quality remains strong
- Capital ratios satisfactory, and sufficient to support planned levels of balance sheet growth

2004 Annual Results

4 March 2005

Eric Daniels
Group Chief Executive

Lloyds TSB Group

Closing a chapter

Management priorities

- To enhance the quality of earnings and reduce volatility
- To maintain and build levels of profitability
- To grow our business

Source: Interim Results
1 August 2003

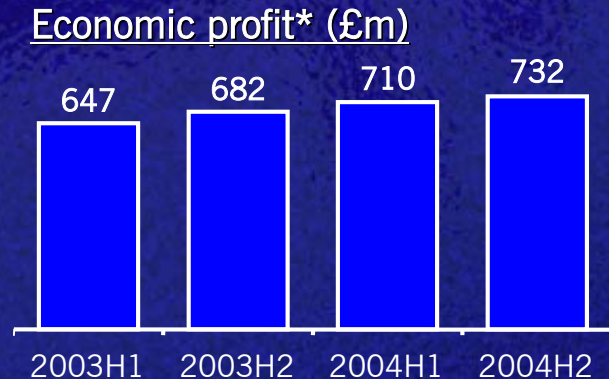
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Closing a chapter

Good progress on all priorities

- To enhance quality of earnings and reduce volatility
 - Building a better quality, more predictable set of businesses
- To maintain and build levels of profitability

- Economic profit up 9%
- Return on Risk-Weighted Assets up to 1.95%
- Return on capital improved to 23.5%

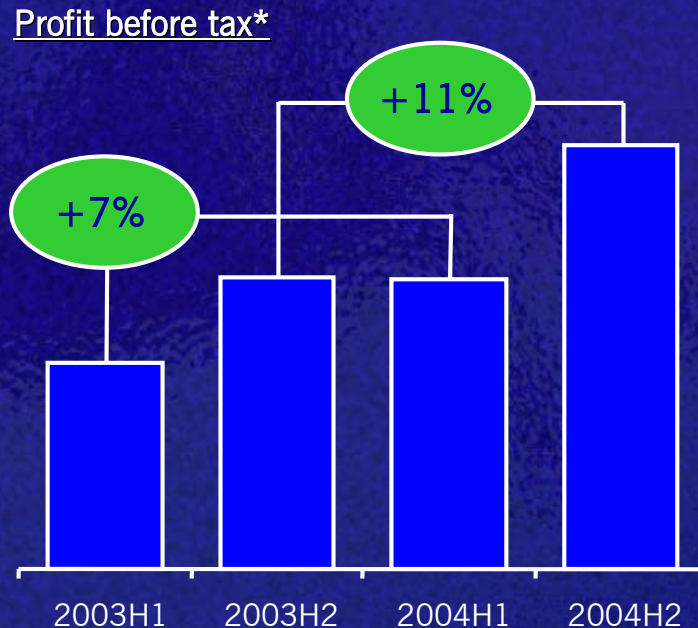


* Continuing operations basis, excluding investment variance, changes in economic assumptions and profit/loss on sale of businesses

Focused on growth

Earnings story taking shape

- Profit up 9 %
- Positive jaws
 - Income up 4%
 - Costs up 2%
- All divisions ahead

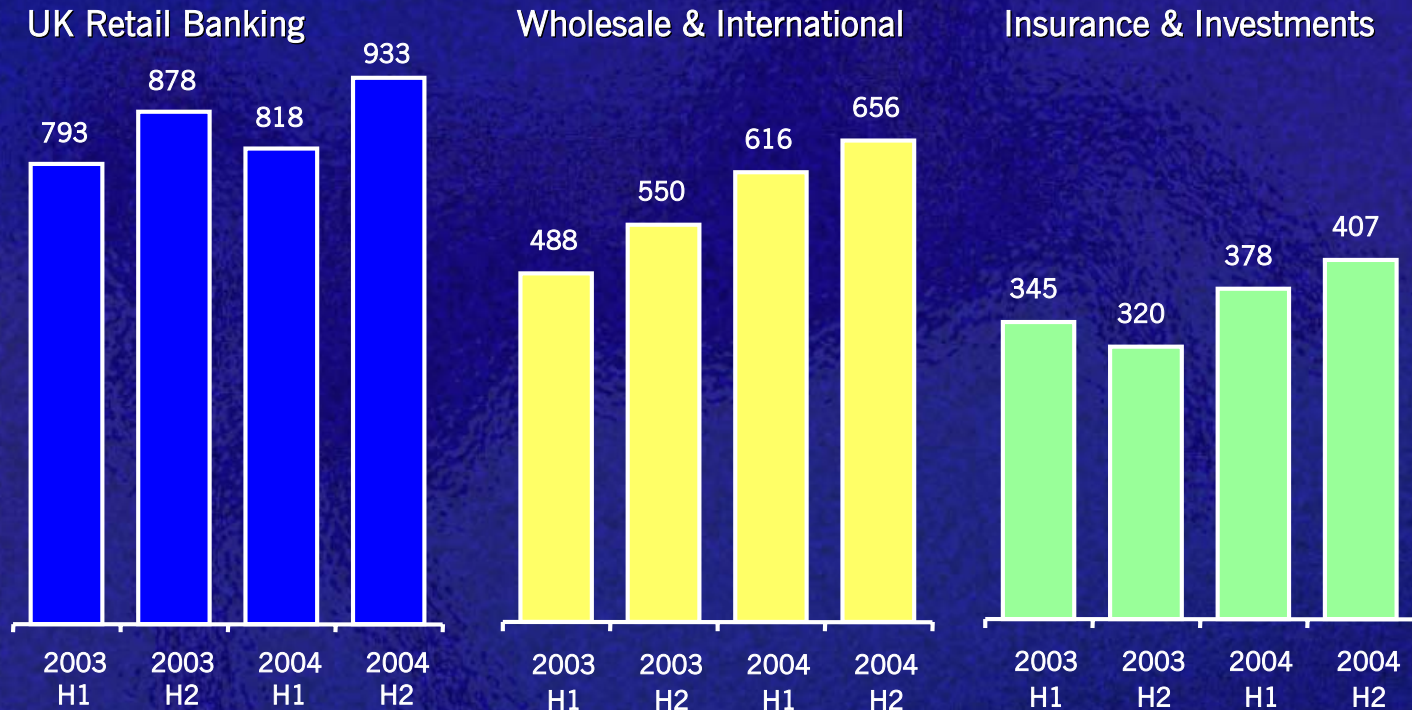


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Focused on growth

All divisions performing

Profit before tax (£m)



* Continuing operations basis, excluding investment variance, changes in economic assumptions, profit/loss on sale of businesses and customer redress provisions.

Lloyds TSB Group

Opening a new chapter

Priorities to guide future growth

- Delivering growth
 - Deepen customer relationships
 - Improve our efficiency ratio
 - Enhance the Group's capabilities

Strategy in the Retail Bank

Maintaining momentum in our retail franchise

Our objectives ...

Acquire and retain quality customers

Deepen customer relationships

... What we are doing

Implemented local markets

Improved use of customer data

Improving our products

Improving service quality

Improving multi-channel capabilities

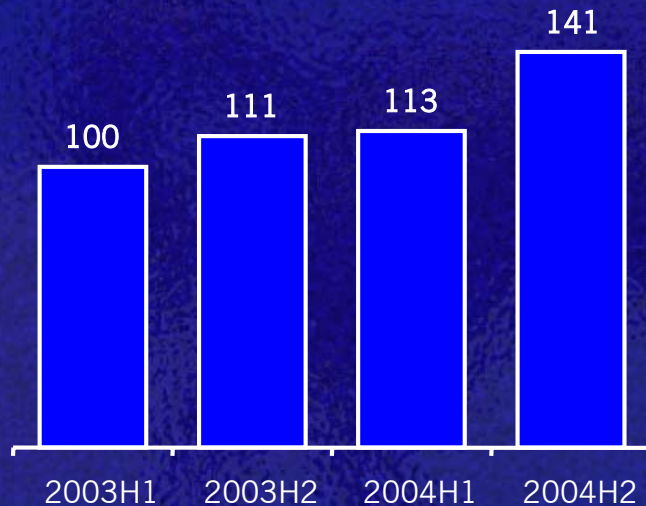
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Overview of UK Retail Banking results

Growth in net quality customer recruitment

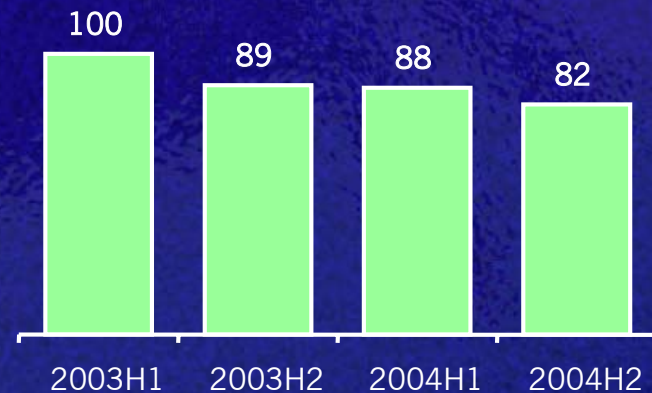
Quality customer recruitment

(Indexed: H1 2003 = 100)



Quality customer attrition

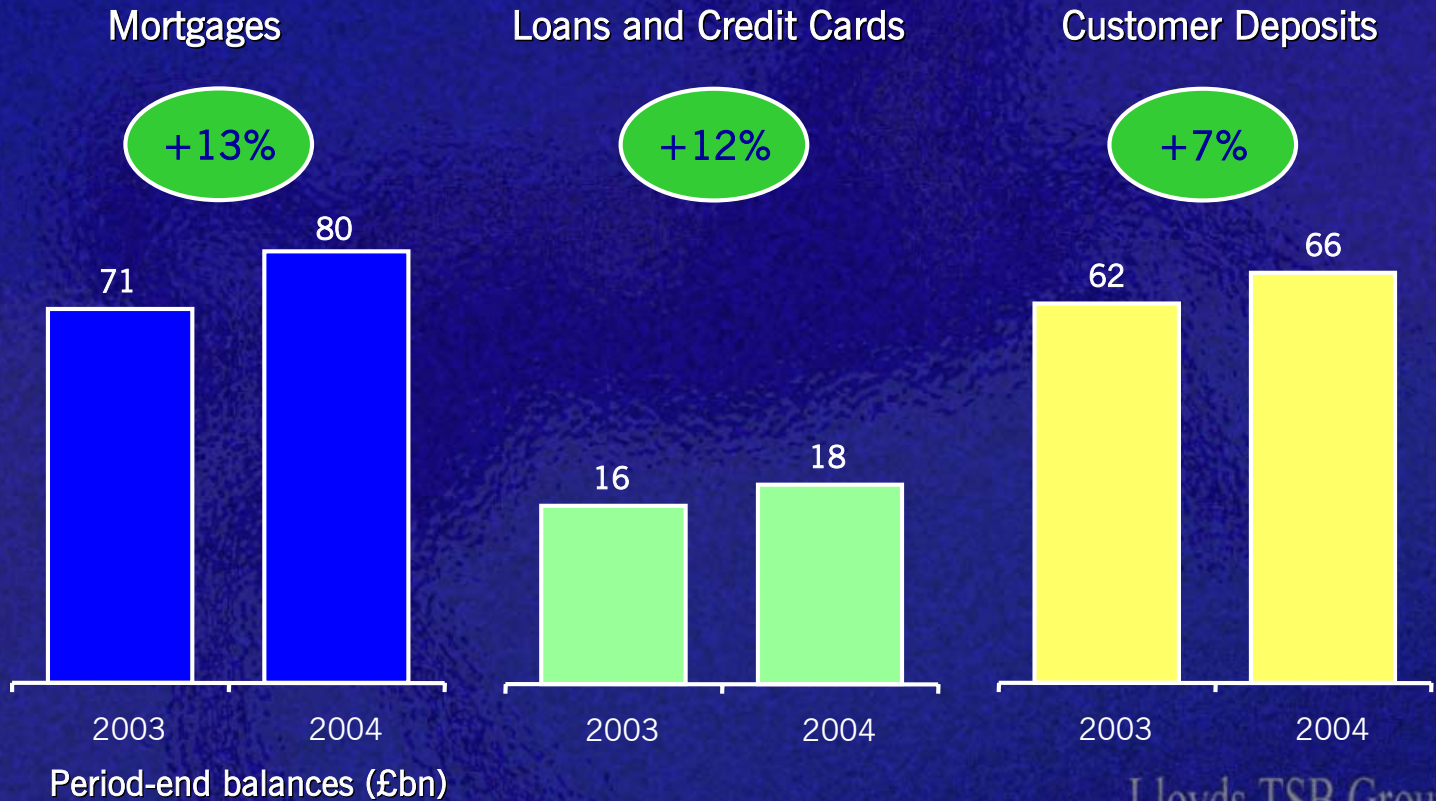
(Indexed: H1 2003 = 100)



- Market share of current account balances maintained at 21%

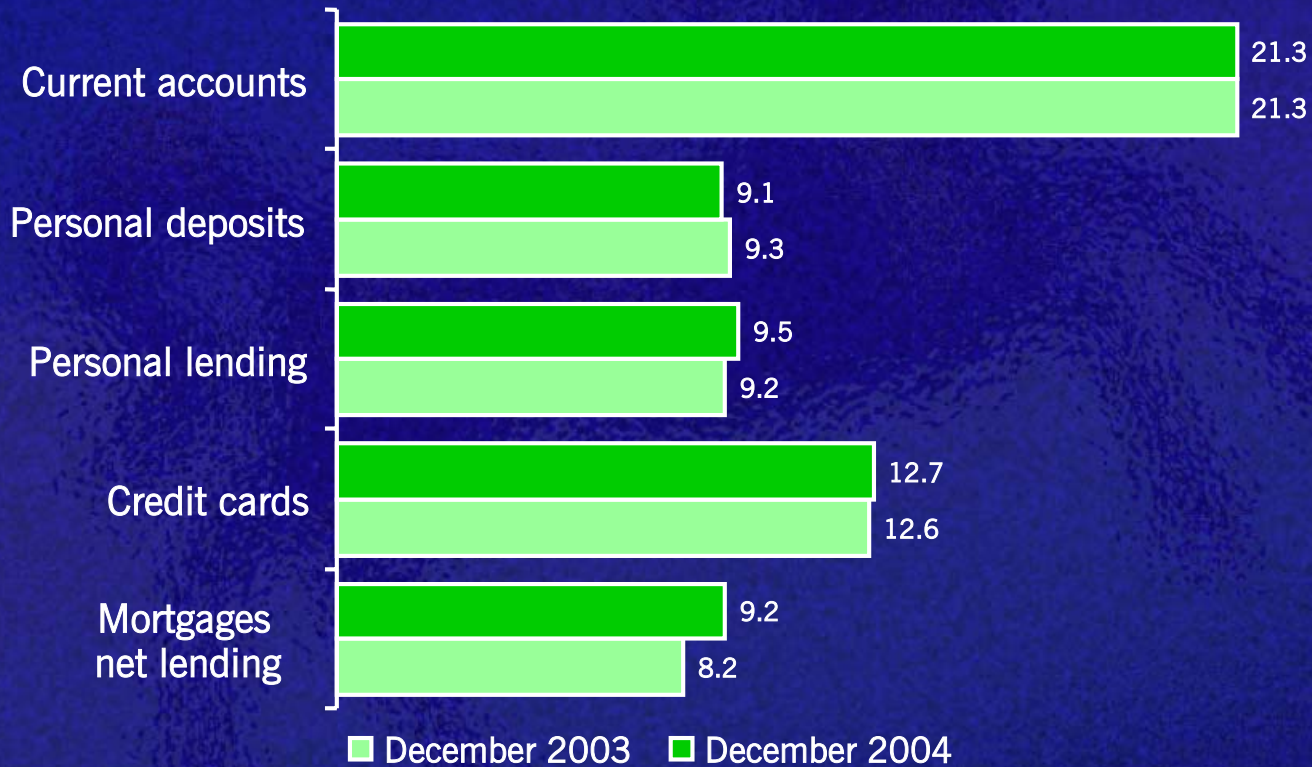
Overview of UK Retail Banking results

Strong growth in balances



Overview of UK Retail Banking results

Maintaining balance market shares



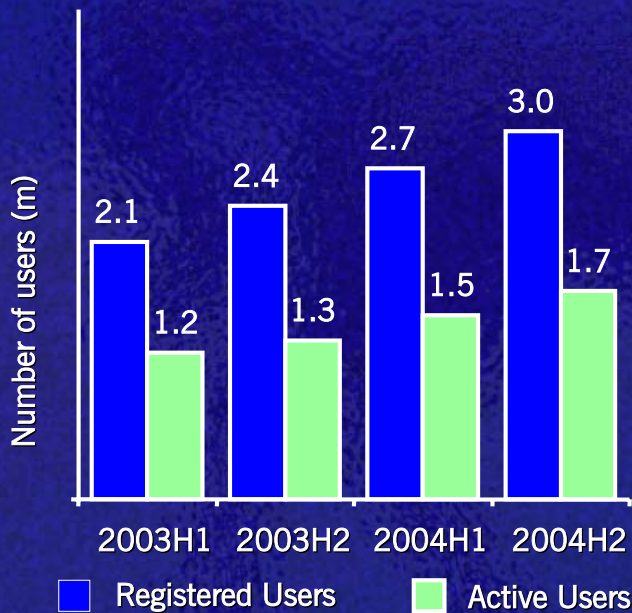
Source: Bank of England, British Bankers Association; Current accounts data September CACI

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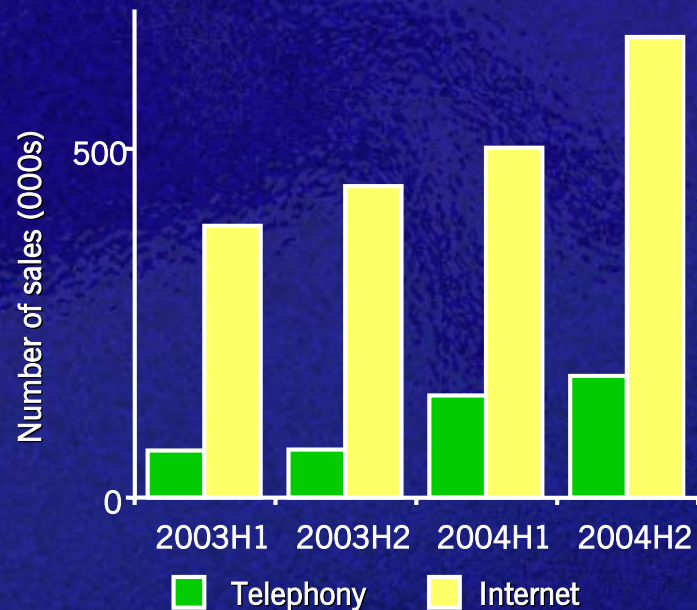
Overview of UK Retail Banking results

Build on success of growth in direct channels

Growth in internet banking



Increased sales through direct channels

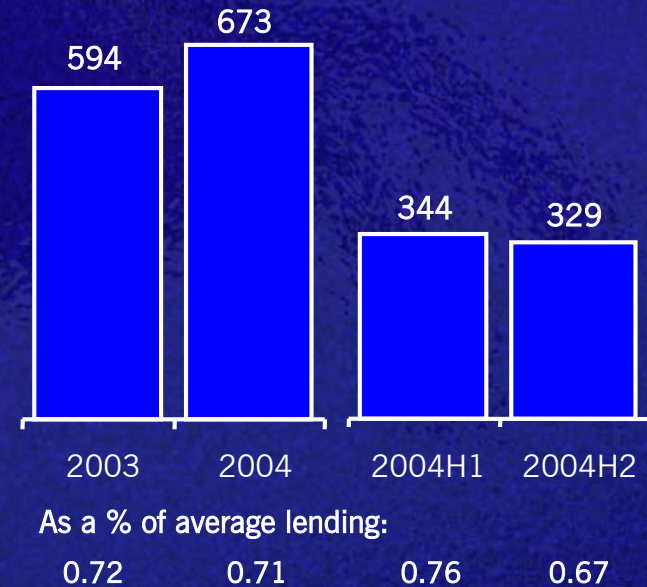


Overview of UK Retail Banking results

Managing asset quality

- Strong retail lending profile
- Avoidance of high risk sectors:
 - sub-prime lending
 - buy-to-let lending
- High proportion of in-franchise lending
- Increased use of risk-based pricing

Charge for bad & doubtful debts (£m)

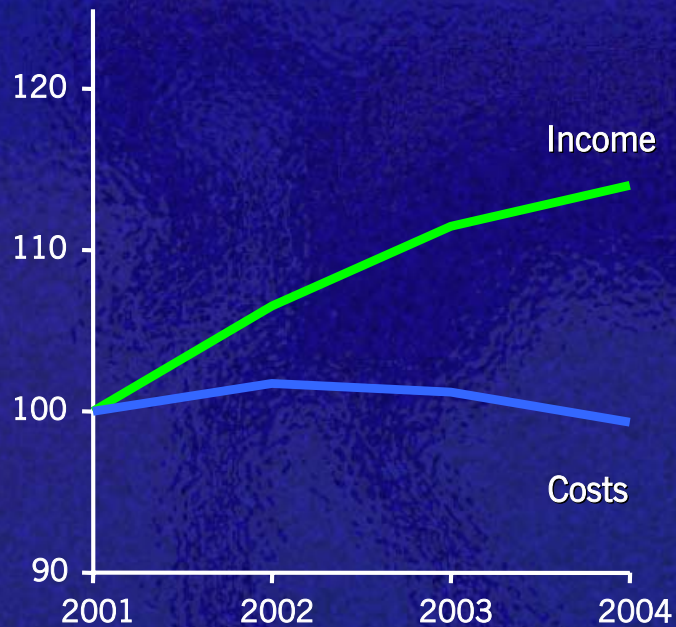


UK Retail Banking

Deepening customer relationships to increase profitability

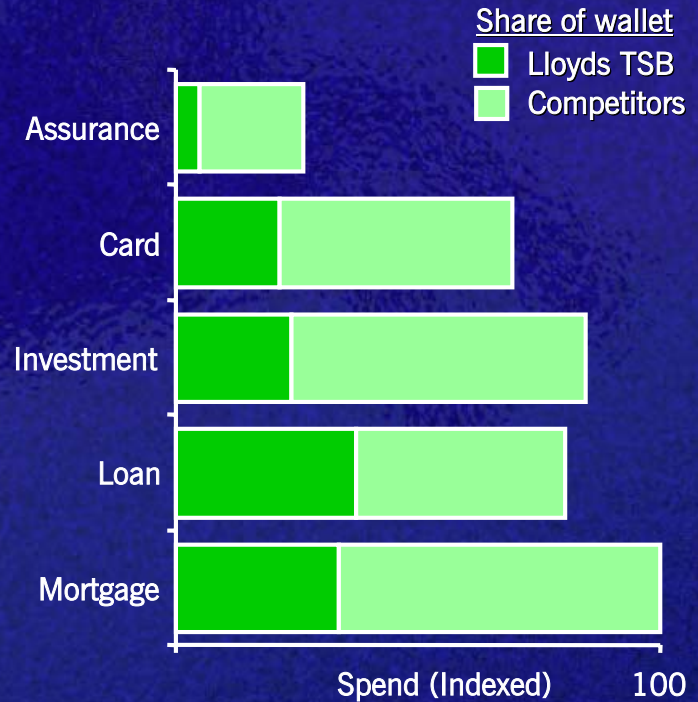
Profitability* per customer

(Indexed: 100 = 2001)



• Excluding customer redress provisions

Share of customer spend



Lloyds TSB Group

Strategy in Wholesale & International Banking

Sustaining growth in our Wholesale franchises

Our objectives ...

... What we are doing

Growing the Corporate
Markets business

Improving the Business
Banking franchise

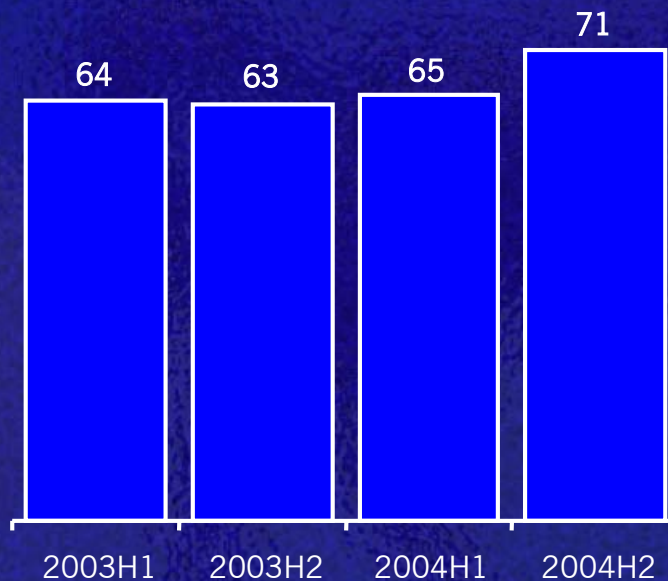
Winning new customers
Relationship deepening
Investing in regional centres
Broadening our product offer

Growing the franchise and
improving efficiency

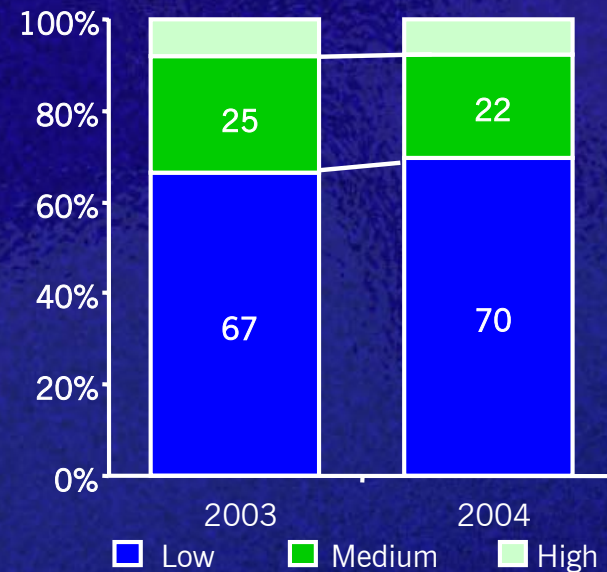
Overview of Wholesale & International results

Growing risk-weighted assets, returns and improving asset quality

Risk Weighted Assets* (£bn)



Internal customer risk ratings

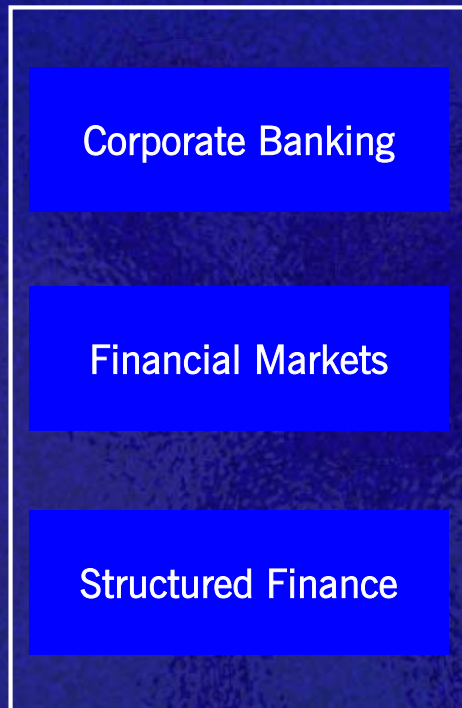


* Continuing operations basis

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Overview of Wholesale & International results

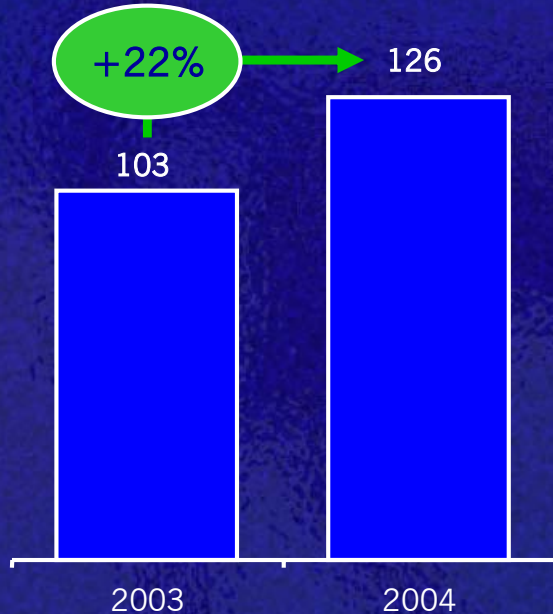
Growing the Corporate Markets business



Overview of Wholesale & International results

Improving the Business Banking* franchise

Profit before tax (£m)



- Simplified propositions
- Leveraged off Retail Bank franchise
- Improved efficiency
- Number 1 in start-up businesses

* Business Banking focus is on serving small business customers, typically with a turnover below £2m.

Lloyds TSB Group

Wholesale & International

All businesses within division performing

<u>Growth in profit before tax (£m)</u>	<u>2004 vs 2003</u>
Corporate Markets	+25%
Business Banking	+22%
Asset Finance	+27%
International Banking*	+21%
Total Wholesale & International Banking*	+23%

* Continuing operations basis excluding profit/loss on disposals

Lloyds TSB Group

Strategy in Insurance & Investments

Building momentum in Insurance & Investments

Our objectives ...

Maximise value from bancassurance

Strengthen distribution capability

Optimise capital management and new business profitability

Develop manufacturing efficiencies in General Insurance

... What we are doing

Delivered simplified product suite

Increasing IFA and direct sales

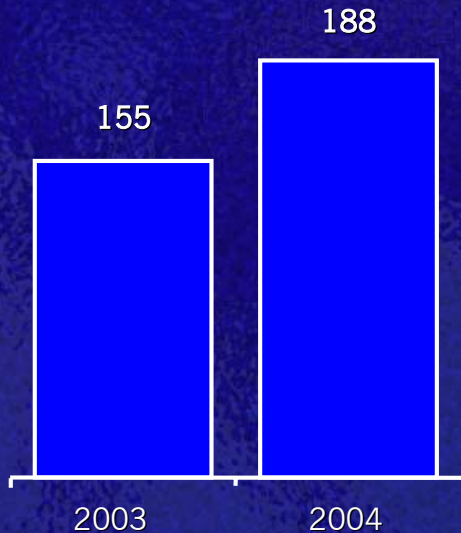
Focusing growth on higher return products

Growing contribution in General Insurance

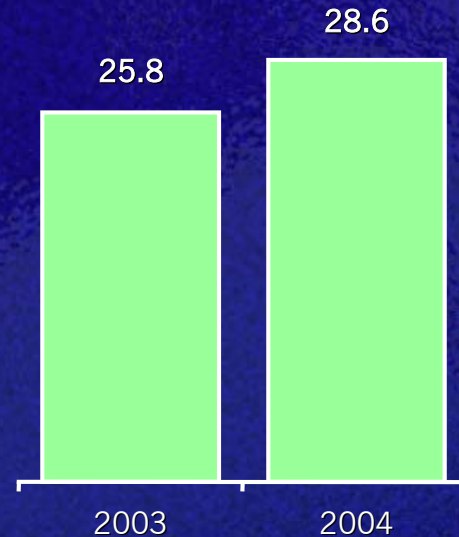
Overview of Insurance & Investments results

Improving Life & Pensions new business profitability

Life & Pensions new business contribution (£m)



Life & Pensions new business margin (%)



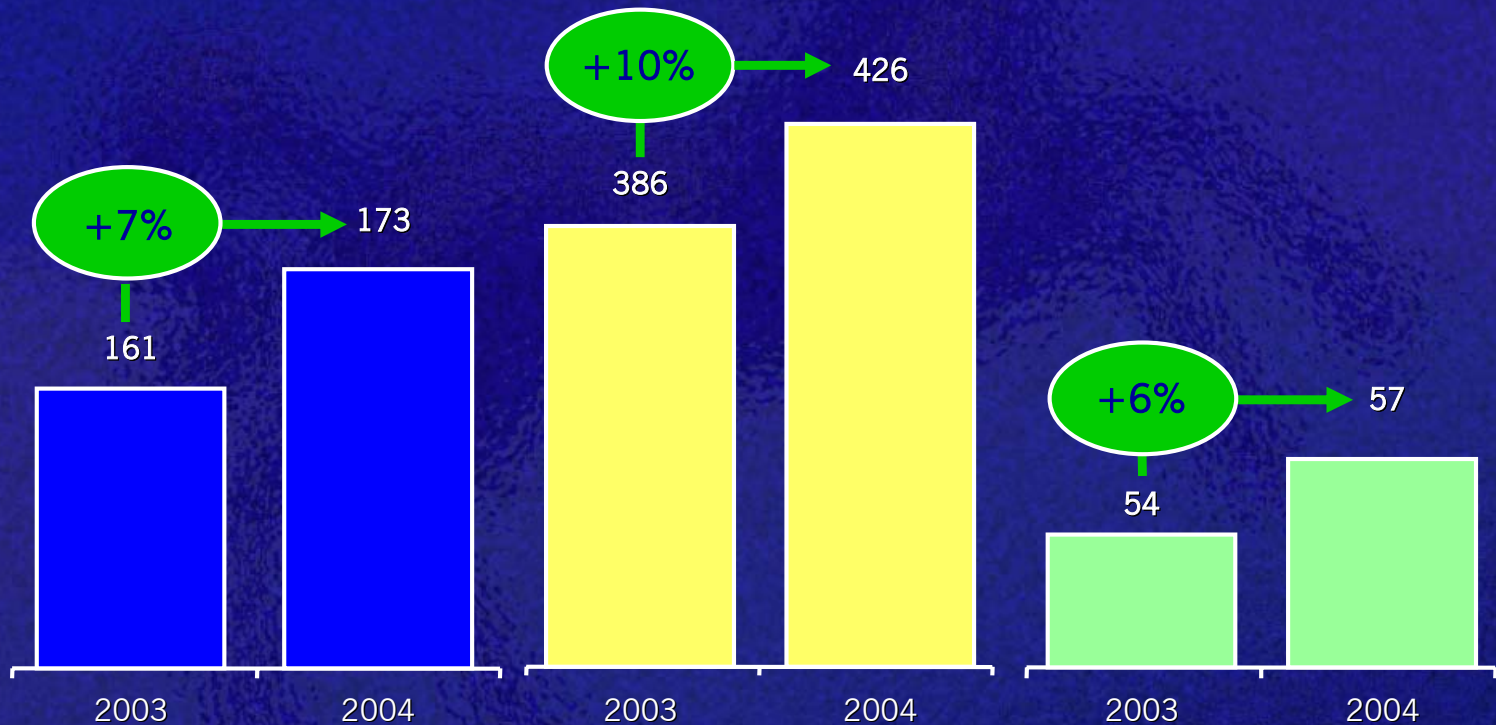
Overview of Insurance & Investments results

Life & Pensions sales up across all channels

Branch network (APE £m)

IFA (APE £m)

Direct (APE £m)

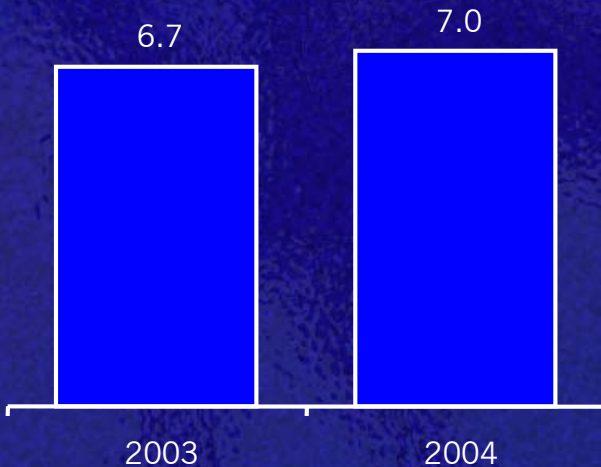


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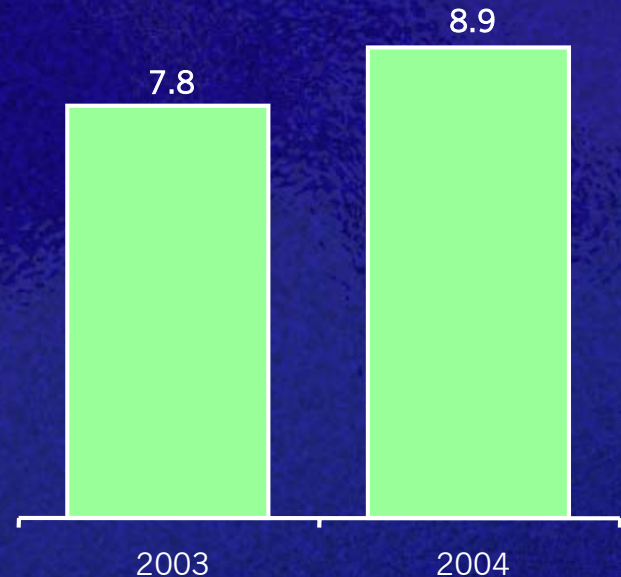
Overview of Insurance & Investments results

Growing share in Life & Pensions through all channels

Market share in Life & Pensions
IFA channel

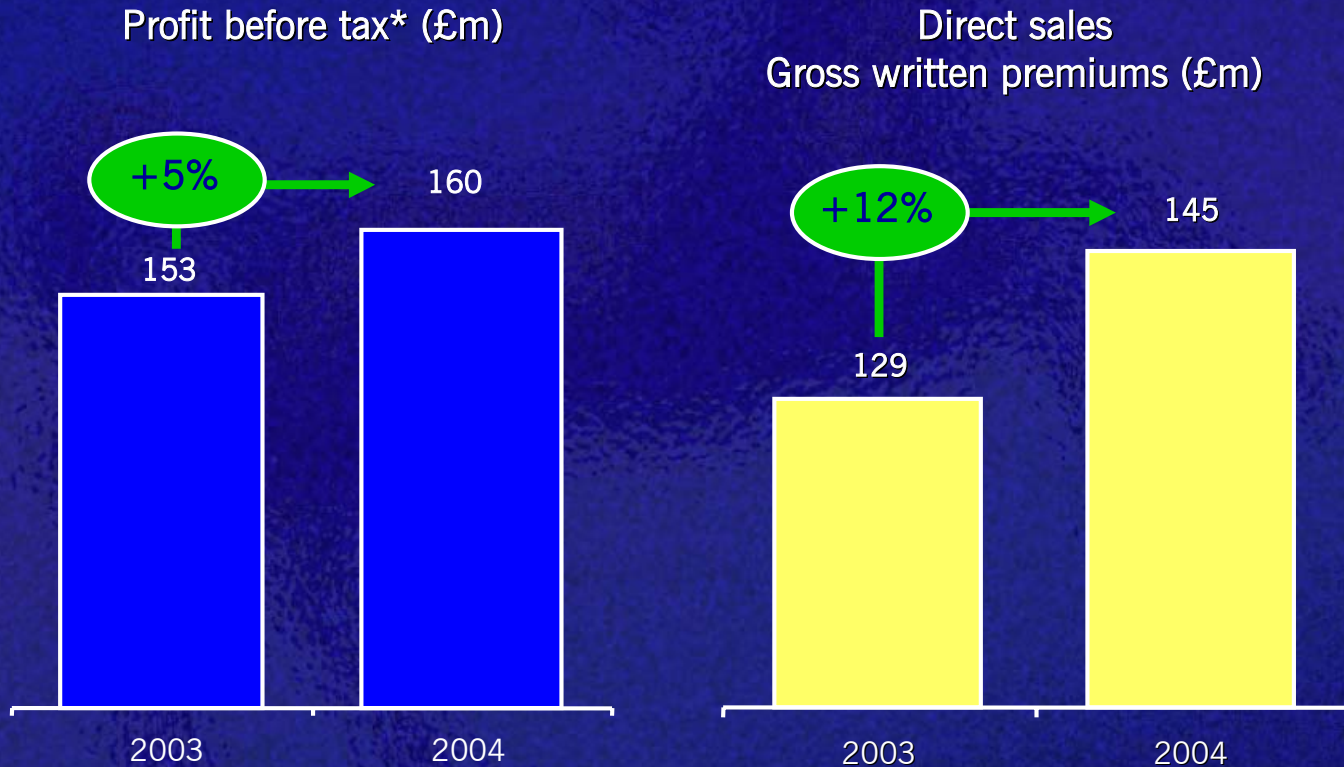


Market share in Life & Pensions
non-IFA channel



Overview of Insurance & Investments results

Growing contribution in General Insurance



* Excluding investment variance

Lloyds TSB Group

Insurance & Investments

Leveraging our distribution

- Fastest growing retail market
- Biggest opportunity to deepen relationships
- Plays to our strengths
 - Distribution reach
 - Scottish Widows brand
- Strong platform for Lloyds TSB Insurance

Extending Group capabilities

Central functions supporting the Group's growth plans

- Providing a framework for sustaining faster growth, through enhancing our competencies in:
 - Finance
 - Risk
 - Performance Management

Summary

- Achieving growth with returns
 - Profits up 9%
 - Return on shareholders' equity of 23.5%
- Total shareholder return of 15% in 2004
- Clear priorities going forward

Continuing operations basis, excluding investment variance, changes in economic assumptions, profit/loss on sale of businesses, customer redress provisions and the sale of EMD bonds/forex closures. 2003 also includes notional interest earned on the sale proceeds of businesses sold in 2003

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Forward looking statements

This document is a summary only of certain information contained in the announcement dated 4 March 2005 and should be read in conjunction with the full text of the announcement.

This document contains forward looking statements with respect to the business, strategy and plans of the Lloyds TSB Group and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about Lloyds TSB Group's or management's beliefs and expectations, are forward looking statements. 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 businesses and equity risk in its insurance businesses, inherent risks regarding changing demographic developments, catastrophic weather and similar contingencies outside Lloyds TSB Group's control, any adverse experience in inherent operational risks, any unexpected developments in regulation or regulatory actions, changes in customer preferences, competition, industry consolidation, acquisitions and other factors. For more information on these and other factors, please refer to Lloyds TSB Group's Registration Statement on Form 20-F filed with the US Securities and Exchange Commission and to any subsequent reports furnished by Lloyds TSB Group to the US Securities and Exchange Commission or to the London Stock Exchange. The forward looking statements contained in this document are made as of the date hereof, and Lloyds TSB Group undertakes no obligation to update any of its forward looking statements.

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