
2005 Interim Results

29 July 2005

Helen Weir

Group Finance Director



Lloyds TSB Group

Headline results*

	<u>2004H1</u>	<u>2005H1</u>	<u>% Change</u>
Profit before tax	£1,605m	£1,723m	7
Earnings per share	20.1p	22.1p	10
Economic profit	£655m	£728m	11
Post-tax return on equity	21.5%	21.9%	
Proposed dividend per share	10.7p	10.7p	

* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

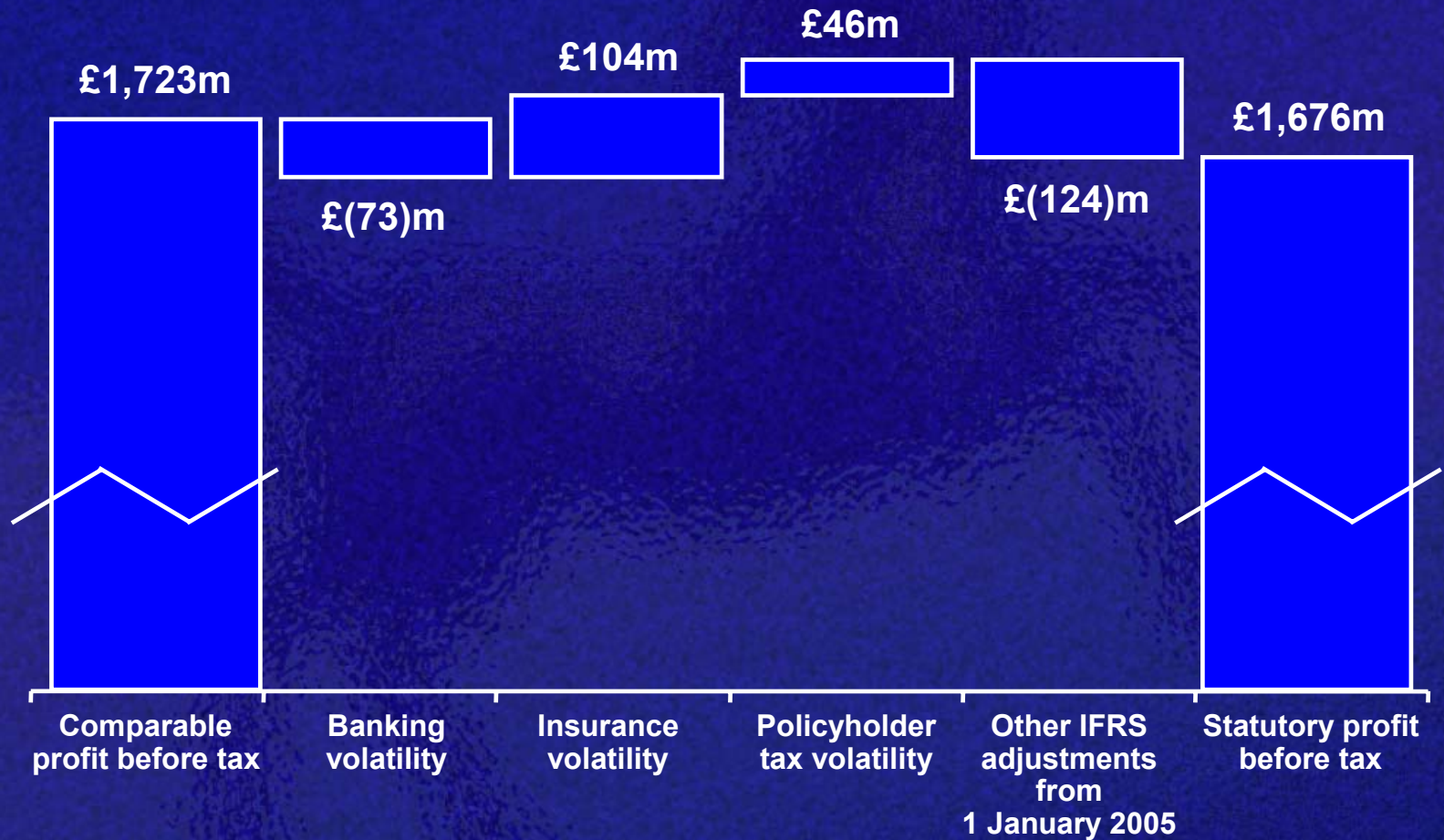
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Overview – continued earnings momentum*

- **Good levels of franchise growth**
- **Revenue growth of 5% exceeded cost growth of 3%**
Cost:income ratio improved
- **Asset quality remains satisfactory**
- **Continued earnings momentum**
- **Capital ratios remain robust**
- **Return on equity improved to 21.9%**

* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

Profit before tax 2005H1 – comparable basis



Impact of IFRS adjustments applied from 1/1/05

	<u>£m</u>
Effective interest rates (IAS 39)	(28)
Loan impairment (IAS 39)	
Trading surplus	48
Impairment	(159)
	<u>(111)</u>
Equity/debt reclassification (IAS 32)	(21)
Lloyds TSB Development Capital (IAS 39)	27
Insurance (IFRS 4/IAS 39/FRS 27)	(2)
Other	11
	<u>(124)</u>

Earnings momentum in key divisions*

£m	<u>2004H1</u>	<u>2005H1</u>	<u>% Change</u>
UK Retail Banking	800	830	4
Insurance & Investments	376	400	6
Wholesale & International Banking	582	662	14
Central group items	(153)	(169)	
Profit before tax	<u>1,605</u>	<u>1,723</u>	7

* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

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Insurance & Investments

Impact of policyholder grossing adjustments

£m	Comparable Basis 2004H1	Policyholder Gross-up 2004H1	2004H1*
Net interest income	134	85	49
Other income	3,617	2,892	725
Insurance claims	(3,074)	(2,959)	(115)
Total income, net of insurance claims	677	18	659
Operating expenses	(301)	(10)	(291)
Profit before tax	376	8	368

* excluding policyholder grossing adjustments

Insurance & Investments

Impact of policyholder grossing adjustments

£m	Comparable Basis 2005H1	Policyholder Gross-up 2005H1	2005H1*	05H1/04H1 Change* %
Net interest income	205	159	46	(6)
Other income	7,057	6,312	745	3
Insurance claims	(6,569)	(6,461)	(108)	(6)
Total income, net of insurance claims	693	10	683	4
Operating expenses	(293)	-	(293)	1
Profit before tax	400	10	390	6

* excluding policyholder grossing adjustments

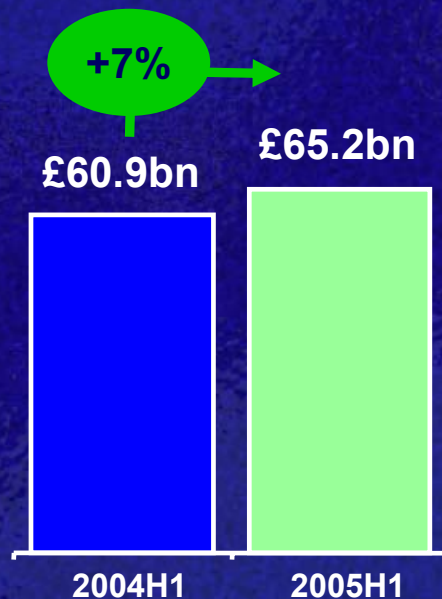
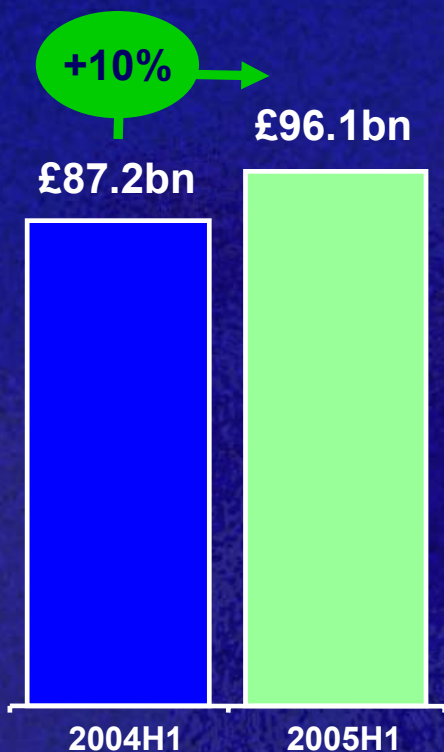
Income*

£m	<u>2004H1</u>	<u>2005H1</u>	<u>% Change</u>
Net interest income	2,421	2,498	3
Other income	2,286	2,431	
Insurance claims	(115)	(108)	
Other income, net of insurance claims	2,171	2,323	7
Total income, net of insurance claims	<u>4,592</u>	<u>4,821</u>	5
Policyholder grossing adjustments	18	10	
	<u>4,610</u>	<u>4,831</u>	5

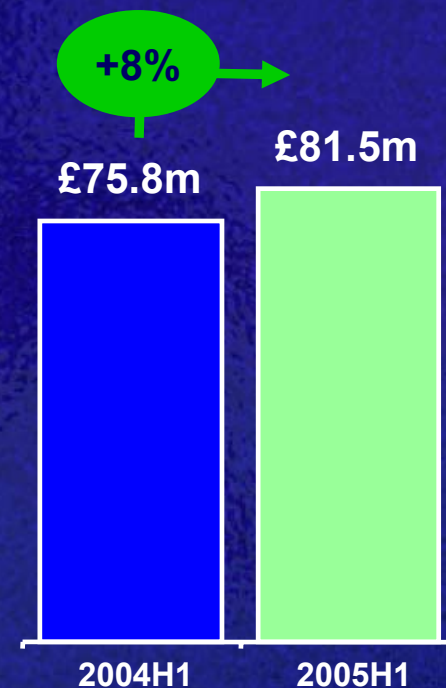
* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

Good asset and deposit growth*

UK Retail Banking



Wholesale & International Banking



Average interest earning assets

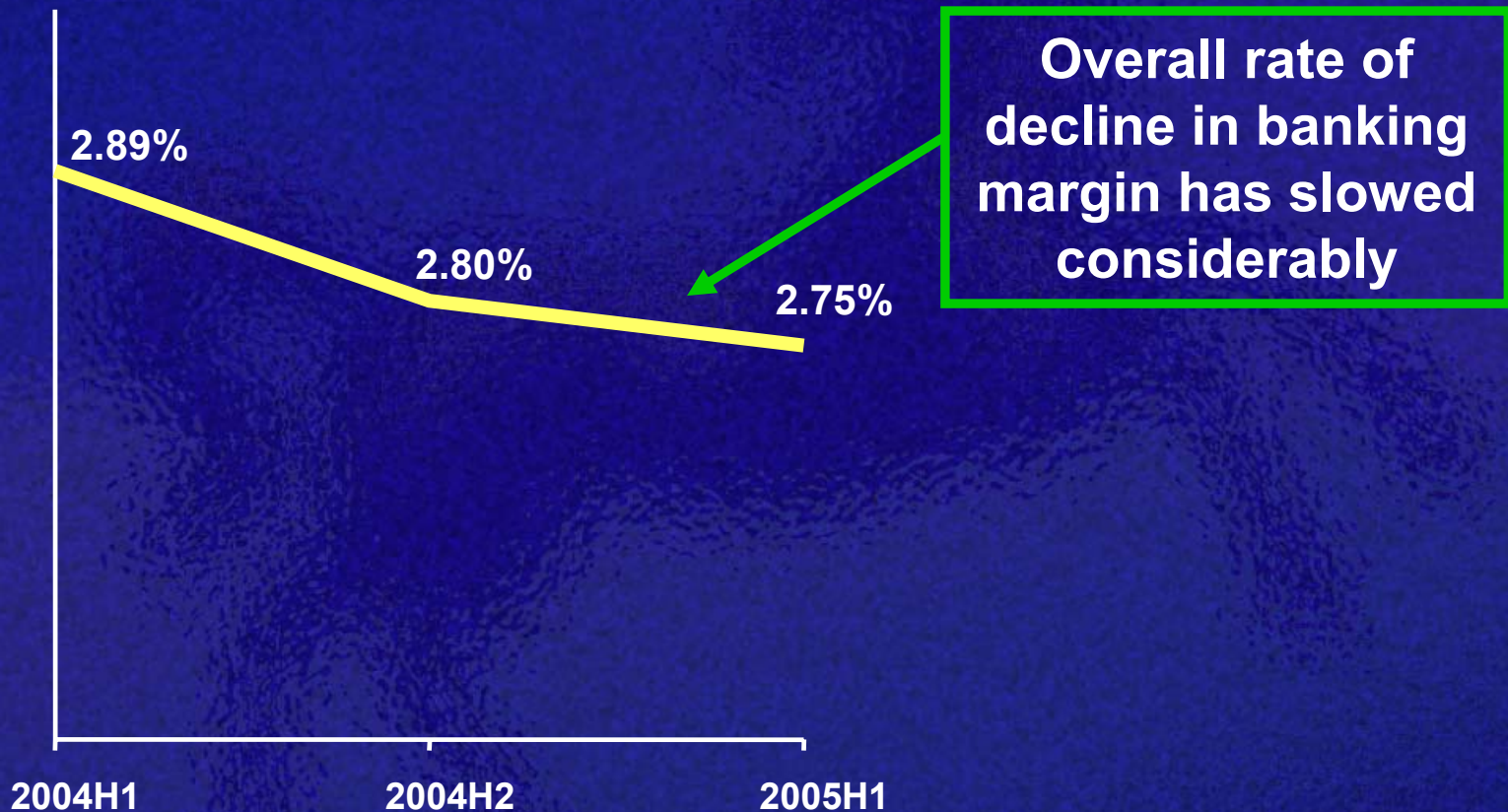
Average customer deposits

Average interest earning assets

* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

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Net interest margin – banking*



* relating to the Group's banking businesses, excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

Net interest income*

£m	<u>2004H1</u>	<u>2005H1</u>	<u>% Change</u>
UK Retail Banking	1,602	1,612	1
Insurance & Investments†	49	46	(6)
Wholesale & International Banking	971	1,035	7
Central group items	(201)	(195)	3
	<u>2,421</u>	<u>2,498</u>	3
Policyholder grossing adjustments	85	159	
	<u>2,506</u>	<u>2,657</u>	6

* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

† excluding policyholder grossing adjustments

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Other income, net of insurance claims*

£m	<u>2004H1</u>	<u>2005H1</u>	<u>% Change</u>
UK Retail Banking	794	908	14
Insurance & Investments†	610	637	4
Wholesale & International Banking	741	774	4
Central group items	26	4	
	<u>2,171</u>	<u>2,323</u>	7
Policyholder grossing adjustments	(67)	(149)	
	<u>2,104</u>	<u>2,174</u>	3

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† excluding policyholder grossing adjustments

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Strong cost control maintained*

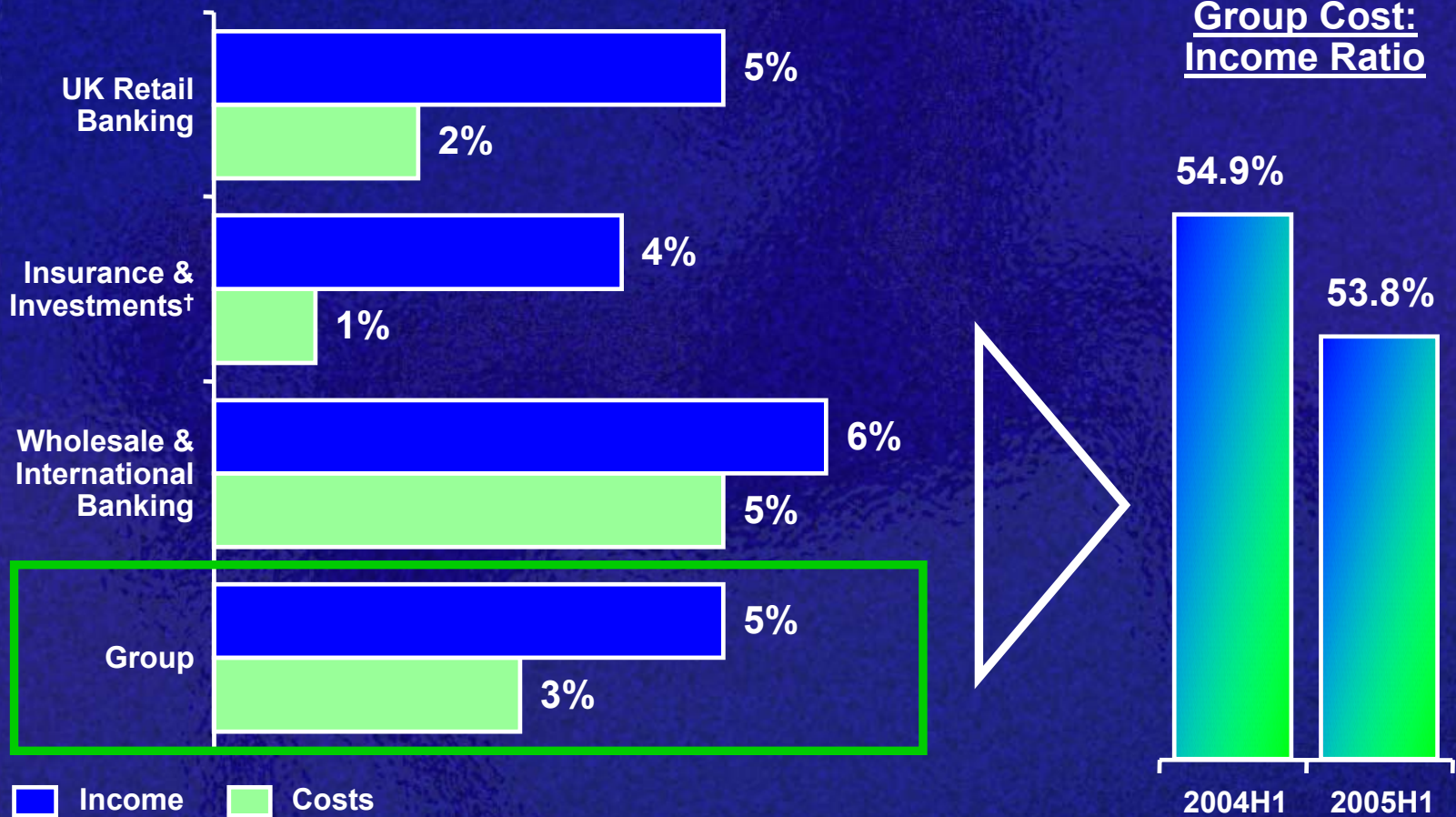
£m	<u>2004H1</u>	<u>2005H1</u>	<u>% Change</u>
UK Retail Banking	1,252	1,274	2
Insurance & Investments [†]	291	293	1
Wholesale & International Banking	998	1,052	5
Central group items	(22)	(22)	
	<u>2,519</u>	<u>2,597</u>	3
Policyholder grossing adjustments	10	-	
	<u>2,529</u>	<u>2,597</u>	3

* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

† excluding policyholder grossing adjustments

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Income growth ahead of costs in all divisions*



* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

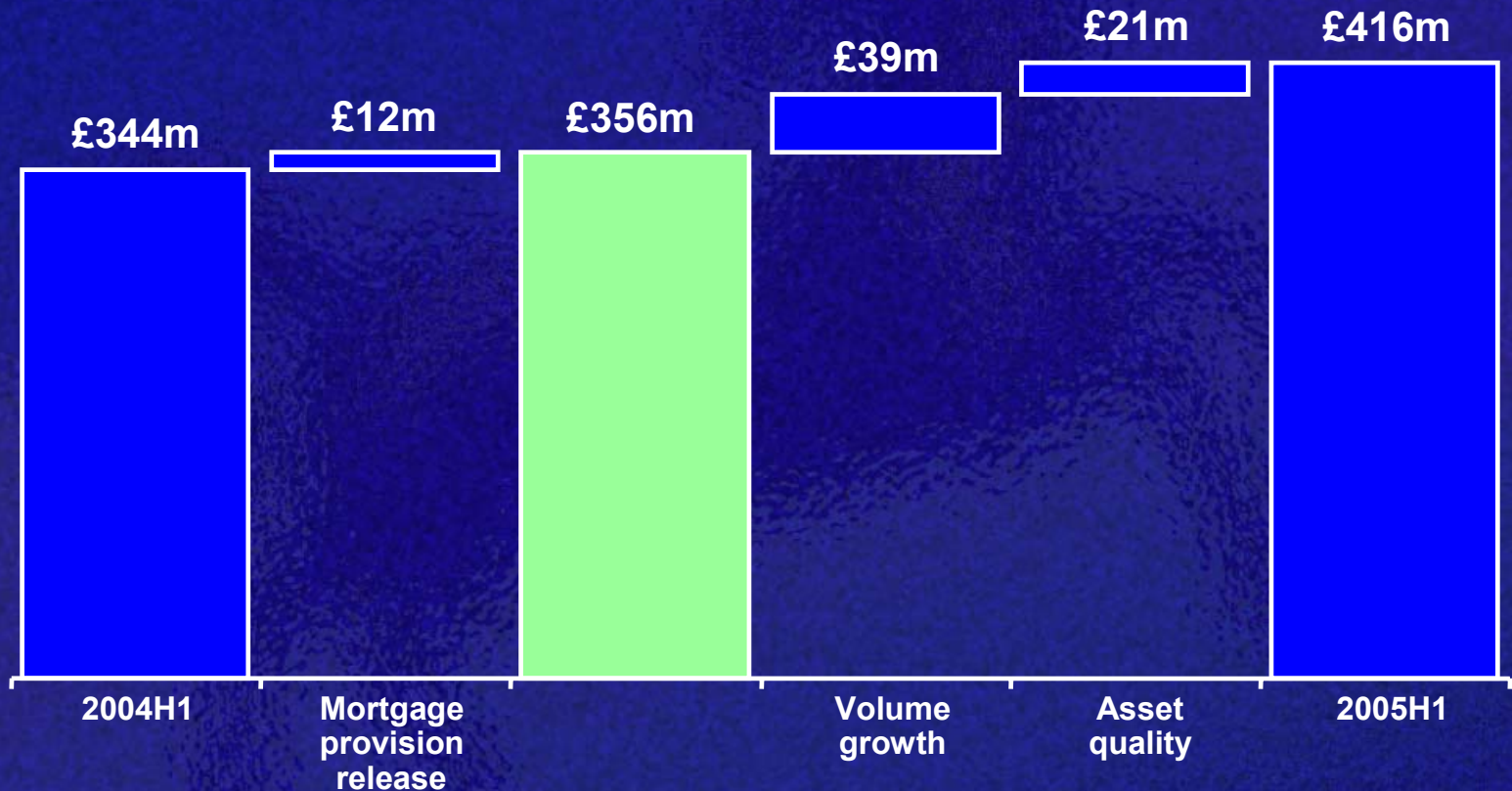
† excluding policyholder grossing adjustments

Impairment losses on loans and advances*

	2004H1	2005H1	Variance %	% of Average Lending	
	£m	£m		2004H1	2005H1
UK Retail Banking	344	416	21	0.79	0.87
- Personal loans/overdrafts	236	269	14	4.34	4.45
- Credit cards	120	141	18	3.51	3.74
- Mortgages	(12)	6	-	(0.03)	0.02
Wholesale & International Banking	132	95	(28)	0.52	0.31
Total	476	511	7	0.68	0.63

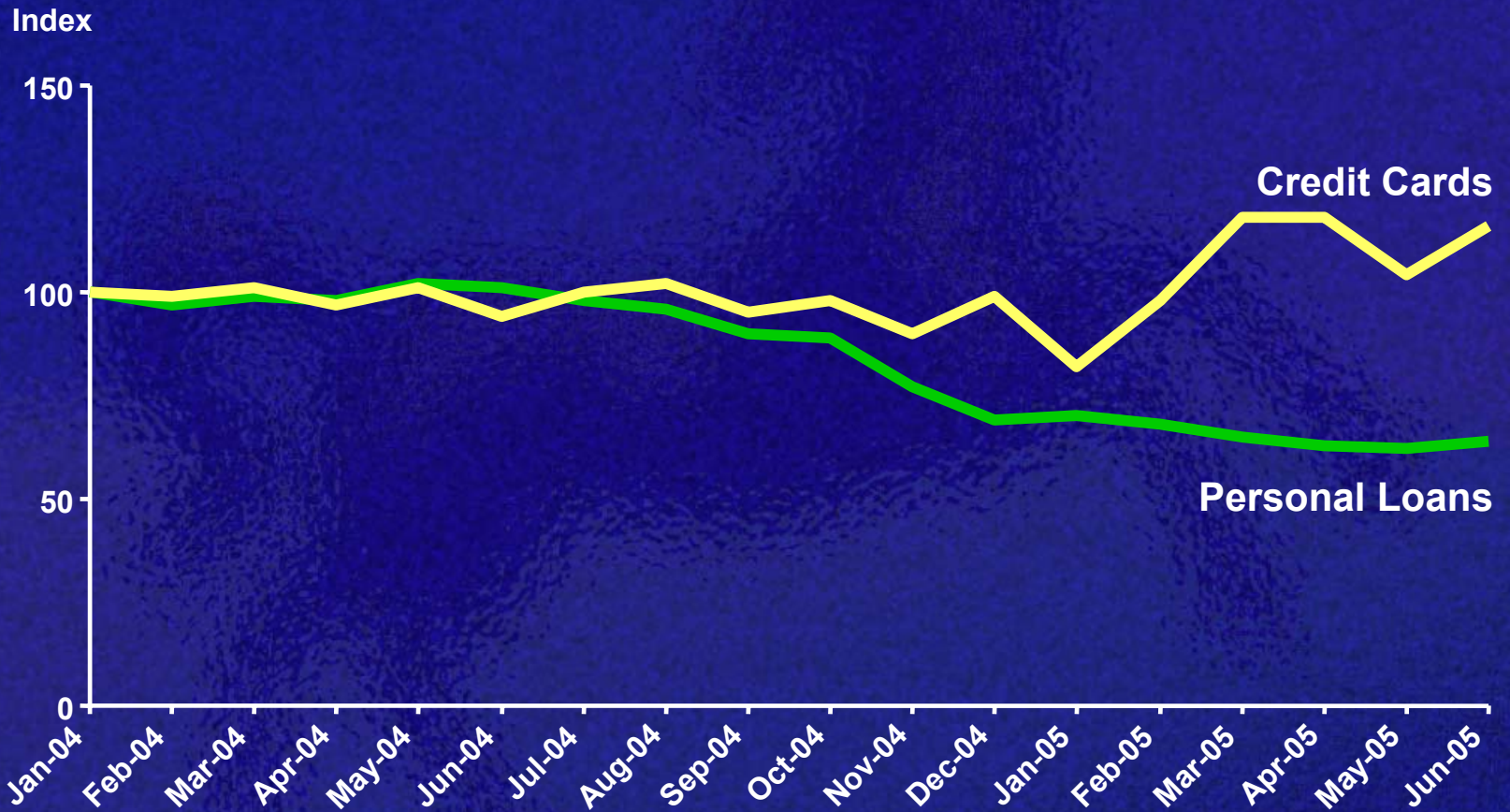
* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

Impairment losses – UK Retail Banking*



* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

Asset quality – dynamic delinquency trends



— credit cards - proportion of balances 2 months in arrears after 12 months – indexed to Jan '04
— personal loans - proportion of balances 2 months in arrears after 12 months – indexed to Jan '04

Impairment losses on loans and advances*

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	£m	£m	%	2004H1	2005H1
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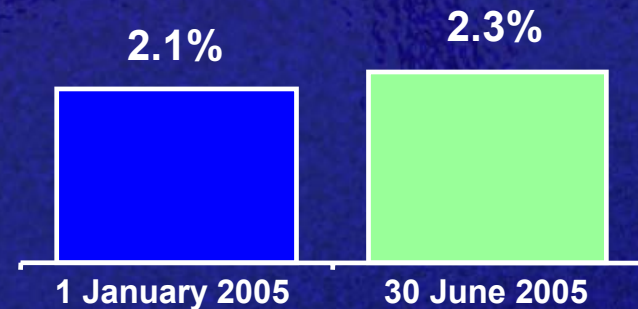
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Asset quality – impaired assets

Impaired Assets

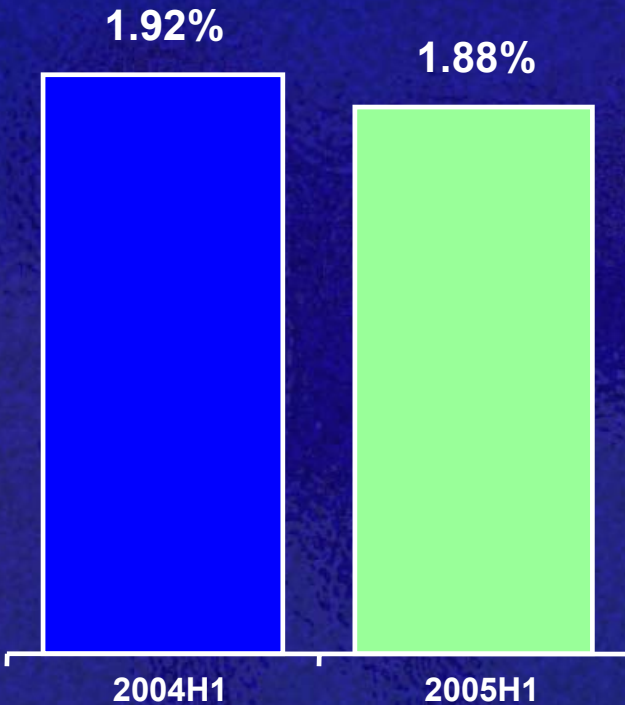


Impaired Assets as a Percentage of Total Lending



Maintaining high returns*

Post-tax Return on Risk-weighted Assets



Economic Profit



* comparable basis – excluding impact of volatility, other prospective accounting adjustments and discontinued operations

Capital ratios remain robust

- **Capital ratios remain robust:**
 - total capital ratio 9.6%
 - tier 1 ratio 7.8%
- **First half impacts:**
 - dividend timing
 - strong asset growth
- **Sufficient retained earnings to support expected risk-weighted asset growth**

Scottish Widows – strong capital management

<u>Long-Term Fund (£bn)</u>	<u>31/12/04</u>	<u>30/6/05 estimated</u>
Available assets, including support account	22.0	22.9
Realistic value of liabilities	(17.8)	(18.4)
Net surplus	4.2	4.5
Working capital ratio	19.0%	19.5%
Risk capital margin cover	9.3x	9.4x

Improving capital efficiency

- **Economic capital disciplines**
- **Optimising Scottish Widows capital**
 - **regular dividend stream**
 - **additional capital repatriation in 2005H2**

Summary – continued earnings momentum

- **Good breadth of revenue growth**
- **Strong cost control maintained**
- **Satisfactory credit quality**
- **Good earnings momentum**
- **Improved returns**

2005 Interim Results

29 July 2005

Eric Daniels
Group Chief Executive



Lloyds TSB Group

2005H1 - Key performance highlights* - Group

- **Continued earnings growth**
 - PBT up 7%
 - Positive jaws across all three Divisions
- **Maintained high returns**
 - Economic profit up 11%
 - ROE 21.9%
- **Good customer franchise growth**
 - Market shares maintained or increased across all three Divisions
- **Satisfactory asset quality**

* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

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Opening our second chapter

Priorities to guide our future growth

- **Deepen customer relationships**
- **Improve our efficiency**
- **Enhance Group capabilities and processes**

Overview of UK Retail Banking results

- Profit before tax* up by 4%
- Positive 'jaws'
 - Income growth 5%*
 - Cost growth 2%*
- Franchise growth
 - Customer deposits increased by 7%
 - Customer assets increased by 9%
 - Market shares maintained
- Asset quality remains satisfactory

* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

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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

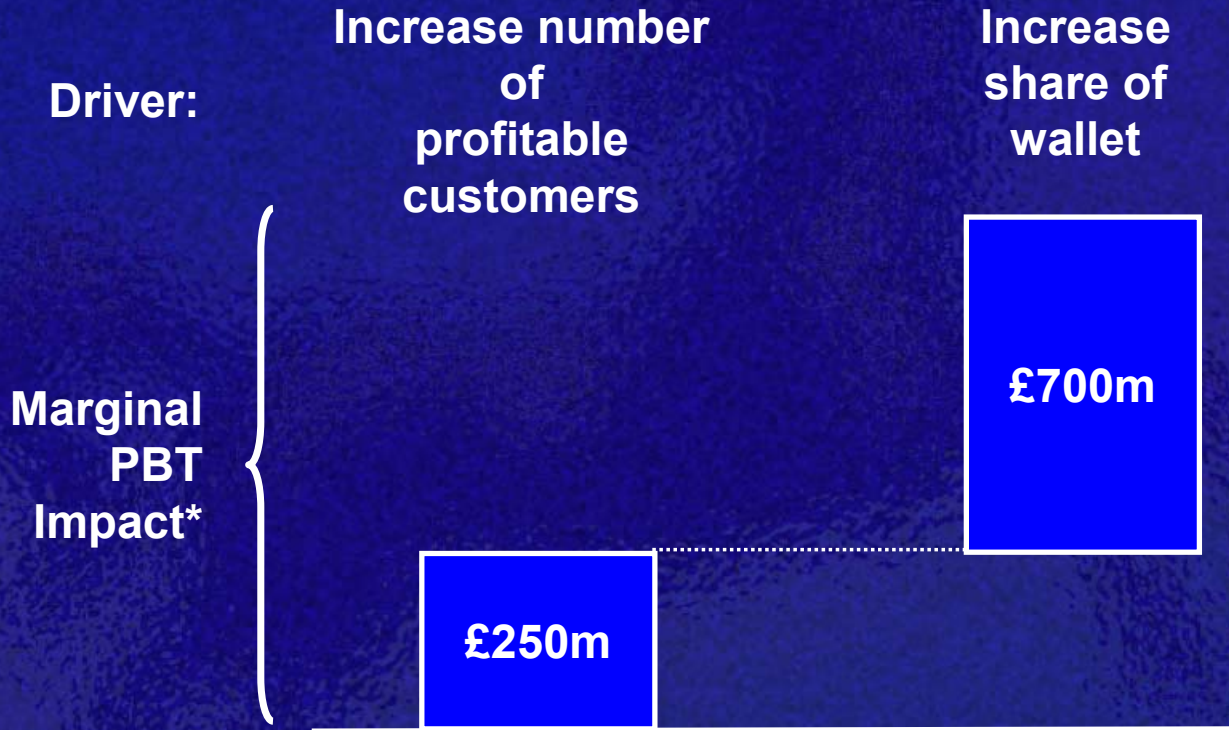
Improved use of customer
data

Improving our products

Improving service quality

Improving multi-channel
capabilities

The opportunity within the franchise is large



Assumption:

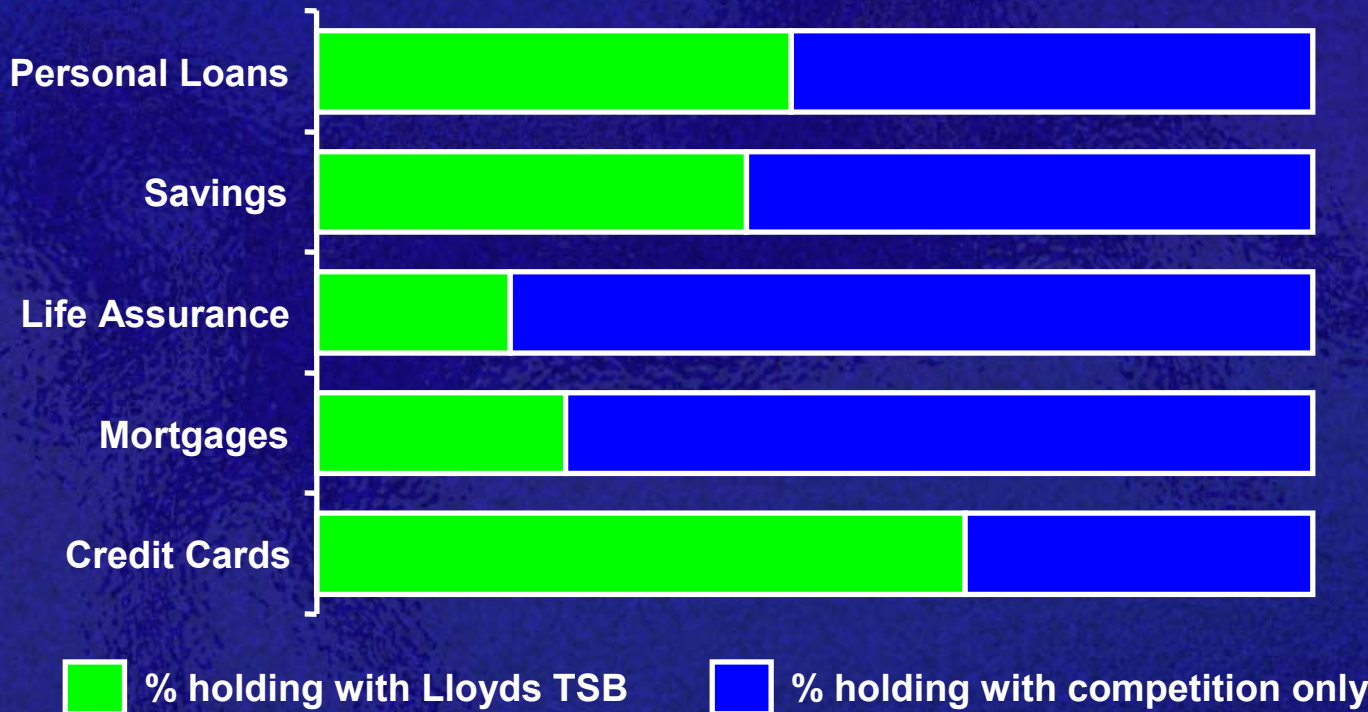
- Retention +1% pt
- Acquisition +2% pts
- Share of wallet +6% pts

* total profit impact across the Group

The opportunity within the franchise is large

Deepening relationships

LTSB Current Account customers with the product and where they hold it



Source: Internal data & NOP

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UK Retail Banking

Deepening customer relationships

Quality of customer base

Quality customer recruitment up 22%

Service excellence

Service quality at new record in H1

Easy to deal with

Direct channel sales up 26%

Customer understanding

Improved information on 'away spend'

UK Retail Banking

Steps to capture higher share of franchise spend

- Refresh and simplify product range
- Simplify sales and service processes
- Increase seller effectiveness

Overview of Wholesale & International results

- Profit before tax* up by 14%
- Positive 'jaws'
 - Income growth 6%*
 - Cost growth 5%*
- Strong asset quality
- High returns

* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

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Overview of Wholesale & International results

Business Unit Performance

Profit before tax* (£m)

	<u>2004H1</u>	<u>2005H1</u>	<u>Change</u>
Business Banking	77	98	+27%
Corporate Markets	319	399	+25%
Asset Finance	117	107	(9%)
International Banking	70	51	(27%)
Wholesale & International Banking			+14%

* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

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Strategy in Wholesale & International

Sustaining growth in our Wholesale franchises

Our highest priorities ...

**Improving the Business
Banking franchise**

**Growing the Corporate
Markets business**

... What we are doing

**Growing the franchise and
improving efficiency**

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

Wholesale & International: Business Banking

Improving the Business Banking franchise

- **Profit before tax* up by 27%**
- **Customer lending up 11%**
- **Customer deposits up 6%**
- **Strong market share of start ups at 20%**
- **Increased number of 'switchers'**
- **Cost:income ratio* improved by 4 percentage points**

* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

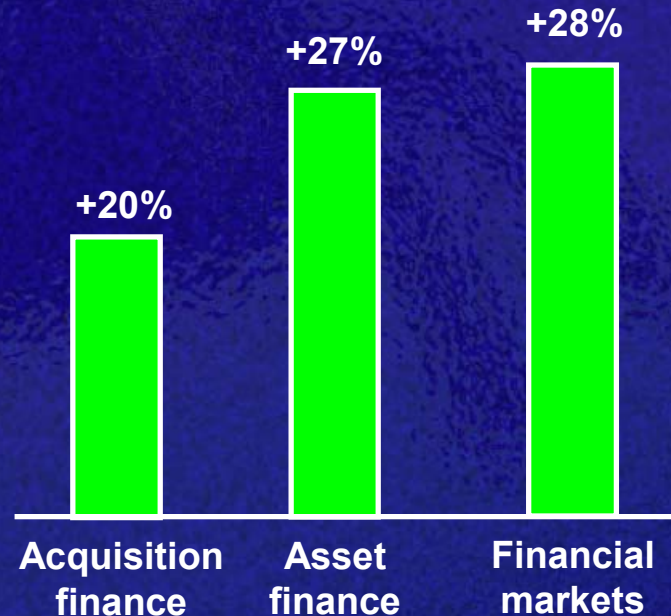
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Wholesale & International: Corporate Markets

Growing the Corporate Markets business

- Profit before tax* up by 25%
- Significant improvement in customer coverage and market shares in key segments
- Early recognition through CBI Bank of the year award
- Continuing to improve cross selling – up 26%

Growth in cross sales



* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

Overview of Insurance & Investments results

- Profit before tax* up by 6%
- Positive 'jaws'
 - Income growth 4%[†]
 - Cost growth 1%[†]
- Business growth
 - Overall weighted sales up by 25%
 - Market share up from 4.9% to 6.2%
- New business profitability improved
 - From 24.3% to 25.8%
- Bancassurance performance improving
 - Weighted sales up 4%

* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

† comparable basis, and excluding policyholder grossing adjustments

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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

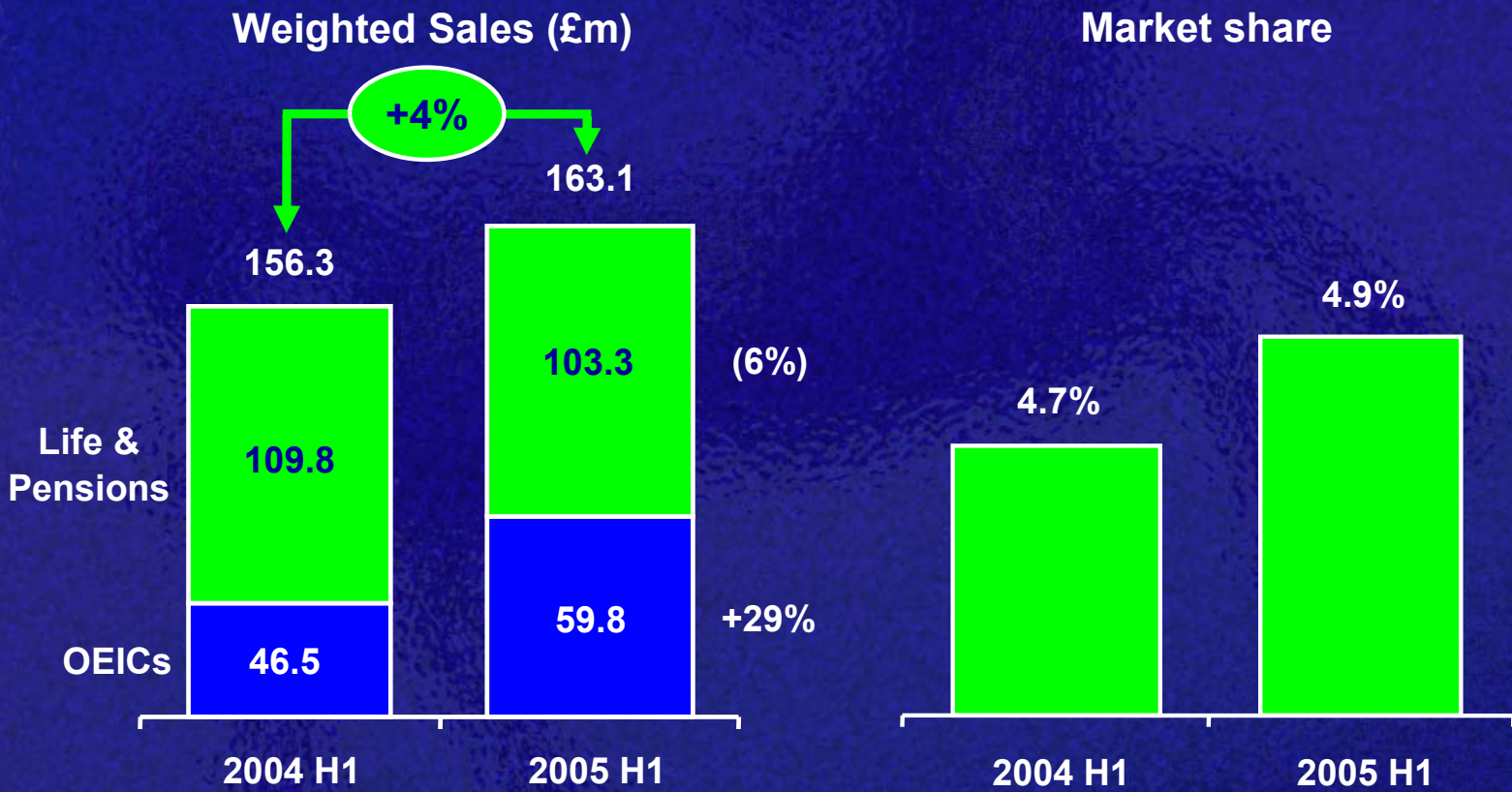
Increasing IFA and direct sales

Focusing growth on higher return products

Growing contribution in General Insurance

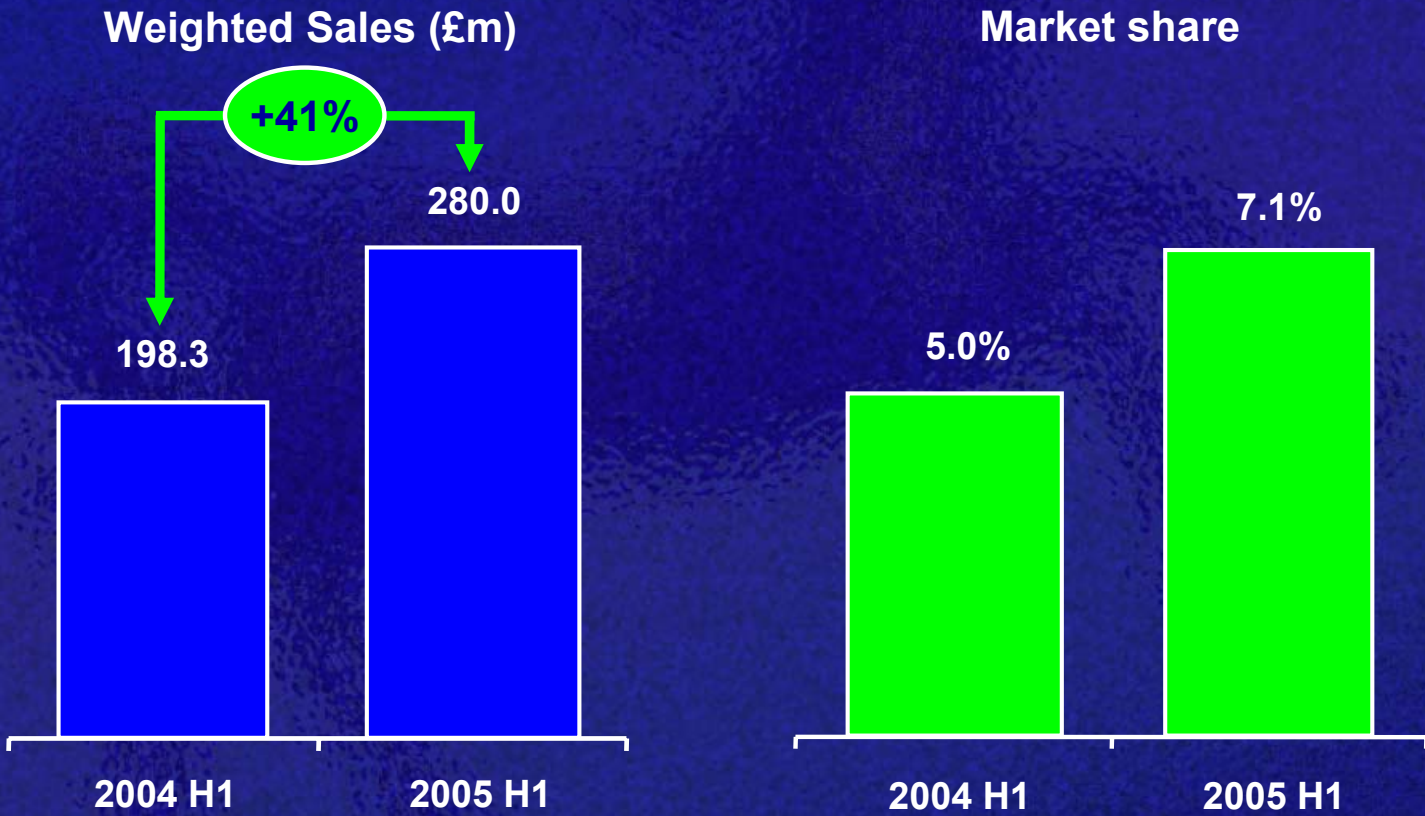
Overview of Insurance & Investments results

Sales Performance – non IFA Channel



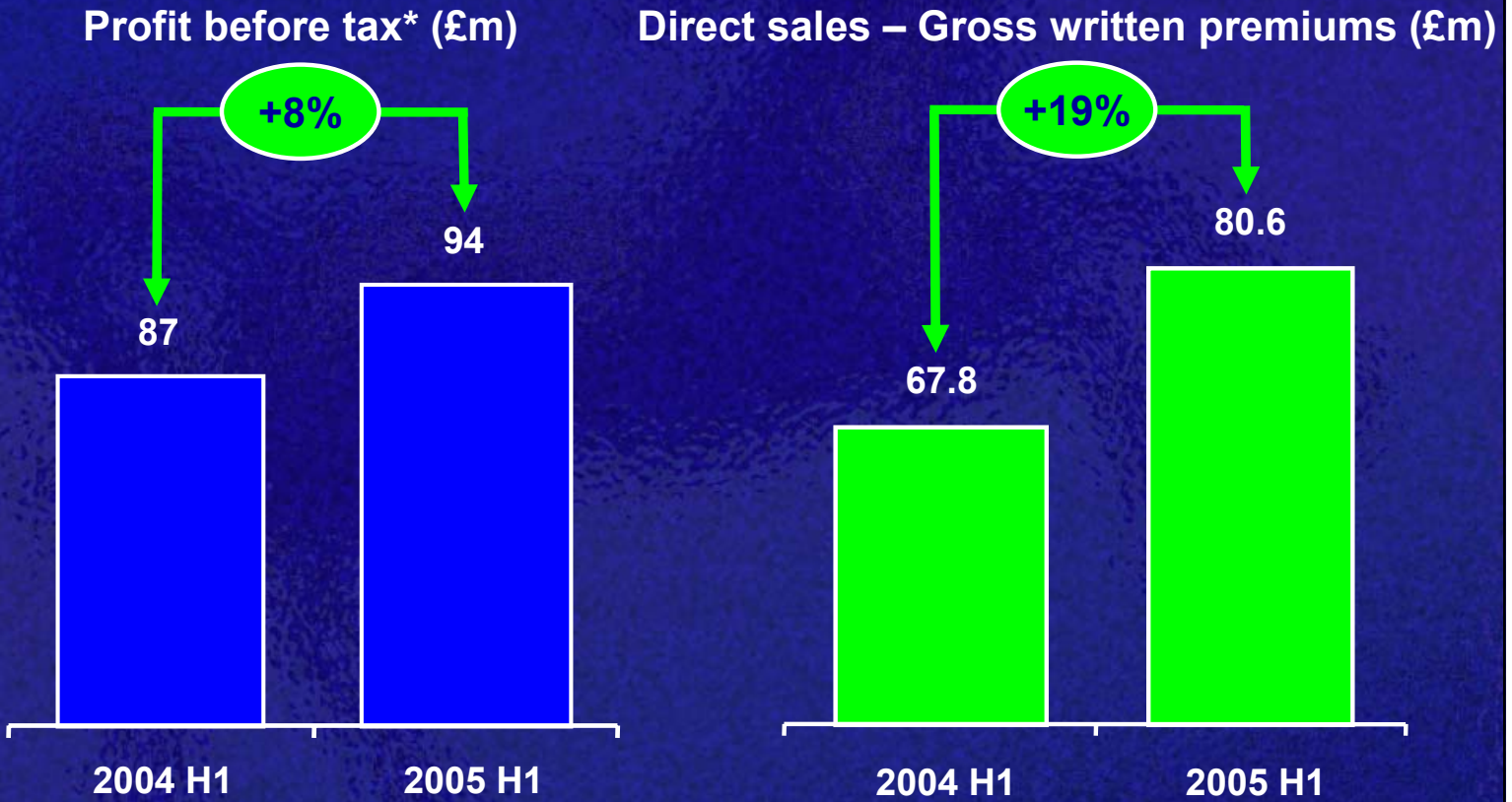
Overview of Insurance & Investments results

Sales Performance – IFA Channel



Overview of Insurance & Investments results

Growing contribution in General Insurance



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Insurance & Investments

Moving Forward

- **Scottish Widows**
 - Capital position is strong
 - Up-streaming dividends to Group
 - Bancassurance performance improving
 - IFA performance strong
- **LTSB General Insurance is performing well**
 - Investments supporting future growth plans

Opening our second chapter

Priorities to guide our future growth

- **Deepen customer relationships**
- **Improve our efficiency**
- **Enhance Group capabilities and processes**

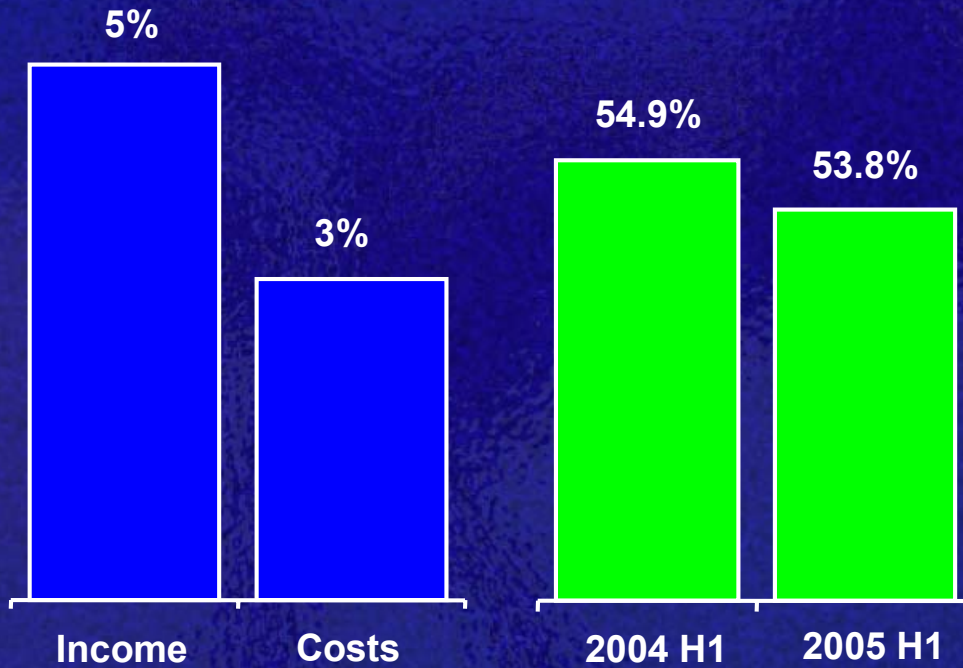
Improving our efficiency*

Positive 'jaws' and an improving cost:income ratio

Positive 'jaws'

Cost:income ratio

Strategic cost management opportunities



- Manufacturing
- Further IT simplification
- Group-wide procurement

* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

Enhancing Group capabilities and processes

- **Optimising capital efficiency**
- **Enhanced risk management framework**
- **Building a high performance organisation**

Summary

- **Delivering earnings growth***
 - All divisions showing revenue growth
 - Profits up 7%
 - ROE improved to 21.9%
- **Continued good progress in execution of organic growth strategies**
- **Significant opportunities for growth**

* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

Forward looking statements

This document is a summary only of certain information contained in the announcement dated 29 July 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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