**Good underlying results in 2006***…

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>£3,450m</td>
<td>£3,713m</td>
<td>8</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>44.2p</td>
<td>46.9p</td>
<td>6</td>
</tr>
<tr>
<td>Economic profit</td>
<td>£1,601m</td>
<td>£1,692m</td>
<td>6</td>
</tr>
<tr>
<td>Post-tax return on equity</td>
<td>25.5%</td>
<td>25.1%</td>
<td></td>
</tr>
<tr>
<td>Total dividend per share</td>
<td>34.2p</td>
<td>34.2p</td>
<td></td>
</tr>
<tr>
<td>Total shareholder return</td>
<td>10.9%</td>
<td>24.8%</td>
<td></td>
</tr>
</tbody>
</table>

* excluding volatility and the pension schemes related credit and, in 2005, profit on sale and closure of businesses, customer redress provisions and the strengthening of mortality reserves
Well balanced Group with strength in all divisions

Wholesale & International
- Income up 8%
- Cost:income down 2pp
- Trading surplus up 14%
- PBT up 8%

UKRB
- Income up 4%
- Cost:income down 3pp
- Trading surplus up 10%
- PBT up 5%

2006 PBT¹
- W&IB
  - £1,640m
  - 40% of total
- UKRB
  - £1,549m
  - 37% of total
- I&I
  - £950m
  - 23% of total

Insurance and Investments²
- Income up 12%
- Cost:income down 2pp
- Trading surplus up 15%
- PBT up 15%

¹ Excluding volatility and central group items
² Excluding insurance grossing adjustments and impact of December 2005 capital repatriation and the strengthening of reserves for mortality

Lloyds TSB Group
...building earnings momentum

- **Building momentum**
  - W&IB and I&I continue to grow strongly
  - UKRB building momentum

- **Improving productivity**
  - Positive jaws in every division
  - Lower unit costs and better sales and service
  - Continuing to invest in future growth

- **Slowing impairment growth**

- **Generating sustainable, faster growth**
  - Accelerating performance with continuing high returns
A business model for high quality, sustained growth

**Our belief**
- Sustained growth comes from strong customer franchises

**Our focus**
- Acquire customers and deepen relationships in core franchises
- Leverage a broad set of productivity disciplines across the Group
- Rigorously apply economic profit discipline at every level

**Income**
- Sustained growth comes from strong customer franchises

**Expense**
- Sustained growth comes from continuous productivity growth

**Profitability**
- Sustained growth comes from capital efficiency

**Our goal**
- Consistent, sustained, double digit economic profit growth

Lloyds TSB Group
Improving our balance sheet management

Active management of balance sheet for optimum risk/return
- Mortgage securitisation of > £10 billion
  - UK’s largest RMBS
- First collateralised loan obligation
  - a £1 billion transaction
- Capital repatriation programme in Scottish Widows
  - £1.7 billion in last 2 years
- $1 billion Preference Share issue
  - ‘Subordinated Bond of the Year’ *

Rigorous application of economic profit metric in decision-making
- EP driving loan pricing in UKRB
- EP driving business decisions in Business Banking
- EP driving relationship decisions and stronger focus on cross-sell in Corporate Markets
- IRRs driving product focus and design in Scottish Widows

* 2006 International Financing Review awards
UK Retail Banking: driving growth

Our objectives

- Grow income from existing customer base
- Grow income from new customers
- Improve productivity

What we did in 2006

- Improved customer satisfaction
- Improved sales capability
- Rebalanced sales mix
- Acquired new customers
- Innovated with new product and service offers
- Improved our sales efficiency and effectiveness
- Reduced back-office staff
Our customer satisfaction scores are improving…

…but we want to move beyond satisfying customers

Branch ‘touch’ scores\(^1\)

NPV per customer (stylised)

Now #1 for branch satisfaction amongst the big 4 high street banks\(^2\)

---

\(^1\) Indexed to 100

\(^2\) Source: GfK Financial Research Survey (FRS) 3 months ending Dec 2006, 13,995 main current account holders interviewed
UKRB: driving growth and efficiency

Improving our branch processes...

- Average sales time reduced, to below the European average
- Improved ability to cross-sell at account opening
- Roles clearly defined to staff to focus on sales and service
- Increased sales force training
- Non-customer facing work removed from branches

...has helped drive sales and improve efficiency

Sales per branch FTE\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100</td>
<td>142</td>
</tr>
</tbody>
</table>

UKRB cost:income ratio\(^2\)

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>50%</td>
<td>47%</td>
</tr>
</tbody>
</table>

\(^1\) Indexed to 100
\(^2\) Before provisions for customer redress
Success in retail banking requires simultaneous delivery across multiple dimensions:

- Customer advocacy
- Sales and service culture
- Balanced and growing product mix
- Efficient, low-cost processes

We have developed strong foundations to deliver consistently over time along all of these dimensions.
Insurance & Investments: accelerating growth

Our objectives

- Leverage our distribution strength
- Continue to develop better products
- Improve capital management

What we did in 2006

- Improved our bancassurance product range and sales effectiveness
- Focused on the most valuable IFA relationships and improved service
- Simplified bancassurance product range
- Launched ‘Protection for Life’
- Improved product profitability and capital efficiency
I&I: leveraging our distribution strength

Increasingly motivated employees

Improved customer satisfaction

Helping to drive higher sales

Employee engagement

Customer satisfaction

Sales

1. Employee engagement score for I&I Division. Indexed to 100
2. Scottish Widows (excluding General Insurance) CARE score. Indexed to 100
3. Scottish Widows APE sales (to allow historical comparison). Indexed to 100

Lloyds TSB Group
I&I: where we are focusing to drive future growth

- Making the most of our distribution reach
  - in the core bank franchises and the IFA channel

- Further tailoring products
  - to meet the needs of customers in different channels

- Further improving our productivity
  - both within I&I and through leveraging the manufacturing capabilities across the Group

- Continuing to improve our capital efficiency
  - and product profitability

2003:
- Build a leading UK wholesale bank
- Optimise international portfolio

2004:
Sustaining growth in our Wholesale franchises

Our objectives...
- 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

...What we are doing

2005:
- Going forward
- CMF: Invest for growth
- Business Banking: Move from turnaround to growth
- AFK and IB: Drive profitability and growth
- Capture efficiency gains through simplification
- Larger customers: broaden origination and portfolio management capabilities
- Build up distribution
- Mid-market: grow franchise and improve productivity
- Focus on value: winning and retaining value creating customers whilst simplifying processes
- Selective investment in franchise growth
- Focus on profitability
- Reduce complexity in operating model and redesign core processes

2006:
- Secured growth momentum
- Grow the Corporate Markets business
- Build on the growth momentum in Business Banking
- Maintain strong asset quality
- Built product and sales capability to deepen customer relationships
- Developed asset distribution capabilities
- Continued strength in start-ups
- Improved productivity and service
- Simplified our offer and operations
- Acted early on potential problems
- Maintained high quality lending portfolio
Our objectives

- Grow the Corporate Markets business
- Build on the growth momentum in Commercial Banking
- Maintain strong asset quality

What we did in 2006

- Built product and sales capability to deepen customer relationships
- Developed asset distribution capabilities
- Continued strength in start-ups
- Improved productivity and service
- Simplified our offer and operations
- Acted early on potential problems
- Maintained high quality lending portfolio
Corporate Markets: driving growth

Broader product and sales capabilities

- We have invested in extending our product capabilities
  - Leveraged securitisation
  - Structured deposits

- We have invested in building our specialist sales forces
  - e.g., Financial Markets sales & structuring team

- Result: Corporate Markets cross sales up 48% in 2006

Improved sales mix

- Income (indexed to 100)
  - 2005: 38% (100)
  - 2006: 41% (115)
  - Increase: +24%

- Income per FTE (indexed to 100)
  - 2003: 100
  - 2006: 114

Delivered more productively

- Traditional lending, deposits and leases
  - 2005: 62% (100)
  - 2006: 59% (115)
  - Increase: +9%

Higher value-added products

- Traditional lending, deposits and leases

Income per FTE (indexed to 100)

- 2003: 100
- 2006: 114
### Corporate Markets: developing the product story

<table>
<thead>
<tr>
<th>Service</th>
<th>2003</th>
<th>today</th>
<th>future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Interest rate products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit structuring &amp; distribution</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan trading</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan syndication</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securitisation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition finance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project finance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property finance</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Public sector finance</td>
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<tr>
<td>Asset finance</td>
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<td></td>
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<tr>
<td>Mezzanine finance</td>
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<td></td>
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<tr>
<td>Private equity (LDC)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Mid market advisory</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
Commercial Banking: model for continued success

- More motivated employees
- Rising customer satisfaction
- Driving customer acquisition
- Improving productivity
- Growing PBT

Employee engagement¹

- 100 in 2003
- 112 in 2004
- 106 in 2005
- 100 in 2006

Customer satisfaction²

- 100 in 2003
- 106 in 2004
- 8,500 in 2005
- 18,800 in 2006

Switcher recruitment³

- 61% in 2003
- 61% in 2004
- 71% in 2005
- 61% in 2006

Cost: income ratio⁴

- £136m in 2003
- £247m in 2004
- £136m in 2005
- £247m in 2006

PBT⁴ (£m)

- £136m in 2003
- £247m in 2004
- £136m in 2005
- £247m in 2006

¹ Business Banking employee engagement, indexed to 100
² Business Banking average CARE score, indexed to 100
³ Number of switchers recruited each year
⁴ 2003-04 on a UK GAAP basis; 2005-06 on a full IFRS basis
Guiding Principles

- Customer primacy
- Our heartland remains UK mid-cap segment
- Product capabilities support customer relationships...
- And risk and balance sheet management

Strategic Aspiration

- Lead small business market
- Build significant position across all products in commercial and mid-cap segments
- Establish profitable, multi-product relationships with selected UK multinationals
- Leverage selected specialist product capabilities to serve franchise customers

“To be the best UK mid market focused wholesale bank and to compete successfully in selected, relevant global markets”
Wholesale & International Banking: business overview

Commercial Banking
- Customers <£15m t/o
- Core banking products
- Commercial finance
  - Core banking products
  - Structured asset finance
  - Loan syndication
  - Acquisition finance
  - Private equity
  - Securitisation

Corporate Banking
- Customers >£15m t/o
- Core banking products
- Structured asset finance
- Loan syndication
- Acquisition finance
- Private equity
- Securitisation

Products & Markets
- Market risk restructuring
- Asset management
- Debt capital markets
- Trading
- Structured debt origination
- Structured transactions

International Banking
- International private banking
- Offshore wealth management
- Expatriate banking
- Islands banking
- Onshore retail

Registrars
- Share registration
- Employee share plans

Asset Finance
- Personal & retail finance
- Motor & leisure finance
- Vehicle leasing
- Car dealerships

Wholesale & International Banking

Lloyds TSB Group
W&IB: where we are focusing to drive future growth

- Focusing on the most valuable customer segments
  - mid market - SME and mid-sized corporates
- Investing in a broader range of products and skills
  - to serve the increasingly sophisticated needs of these customers
- Embedding a culture of innovation
  - to capture big revenue generation opportunities
- Deepening relationships with clients
  - deploying our broader product and skill range
- Continuing the shift to an ‘originate and distribute’ model
- Further improving back-office productivity
  - by leveraging group manufacturing skills
Summary: a high quality, sustainable business model

- Building strong revenue momentum
- Growing and deepening our franchises
- Enhancing efficiency
- Growing investment
- Strengthening capital disciplines

A business model for high quality, sustained growth
Lloyds TSB Group

UBS Global Financial Services Conference
14 May 2007

Truett Tate
Group Executive Director
Wholesale & International Banking
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