
2005 Annual Results

24 February 2006

Helen Weir
Group Finance Director



Lloyds TSB Group

Headline results – comparable basis*

| | <u>2004</u> | <u>2005</u> | <u>% Change</u> |
|---------------------------|-------------|-------------|-----------------|
| Profit before tax | £3,432m | £3,726m | 9 |
| Earnings per share | 42.6p | 47.2p | 11 |
| Economic profit | £1,417m | £1,620m | 14 |
| Post-tax return on equity | 22.2% | 23.3% | |
| Dividend per share | 34.2p | 34.2p | |

* excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations in 2004. Also excludes customer redress provisions and strengthening of reserves for mortality

Lloyds TSB Group

Overview – results highlights*

- Continued earnings momentum
- Accelerating revenue growth
- Positive jaws: cost income ratio improved again
- Satisfactory asset quality
- Robust capital ratios
- Post-tax return on equity remains strong

* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations. Also excludes customer redress provisions and strengthening of reserves for mortality

Headline results – comparable basis*

| £m | 2004 | 2005 | % Change |
|-----------------------------|---------|---------|----------|
| Total income, after claims | 9,489 | 10,172 | 7 |
| Operating expenses | (5,154) | (5,356) | (4) |
| Trading surplus | 4,335 | 4,816 | 11 |
| Impairment | (903) | (1,090) | (21) |
| Trading profit | 3,432 | 3,726 | 9 |
| Customer redress provisions | (112) | (150) | |
| Reserves for mortality | - | (110) | |
| | 3,320 | 3,466 | 4 |

* excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations. Also excludes customer redress provisions and strengthening of reserves for mortality

Lloyds TSB Group

Impact of IFRS adjustments applied from 1/1/05

| | £m | Key Drivers |
|-----------------------------------|--------------------------|--|
| UK Retail Banking | (213) | <ul style="list-style-type: none">• Effective interest rates• Impairment |
| Insurance & Investments | (73) | <ul style="list-style-type: none">• FRS 27, including £45 million reserves for mortality |
| Wholesale & International Banking | 20 | <ul style="list-style-type: none">• Financial Instruments and Development Capital mark-to-market |
| Central group items | (55) | <ul style="list-style-type: none">• Minority interests reclassification from equity to debt |
| | <hr/> (321) <hr/> | |

Earnings momentum*

| £m | UKRB | | I&I | | W&IB | | Group | |
|-------------------|---------|-------|-------|-------|---------|-------|---------|-------|
| | £m | % var | £m | % var | £m | % var | £m | % var |
| Income | 5,118 | 4 | 1,547 | 11 | 3,875 | 10 | 10,172 | 7 |
| Costs | (2,532) | (1) | (639) | (5) | (2,186) | (7) | (5,356) | (4) |
| Trading surplus | 2,586 | 7 | 908 | 15 | 1,689 | 14 | 4,816 | 11 |
| Impairment | (905) | (34) | - | | (185) | 20 | (1,090) | (21) |
| Profit before tax | 1,681 | (3) | 908 | 15 | 1,504 | 20 | 3,726 | 9 |

* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations. Also excludes customer redress provisions and strengthening of reserves for mortality

Lloyds TSB Group

Income growth improving*

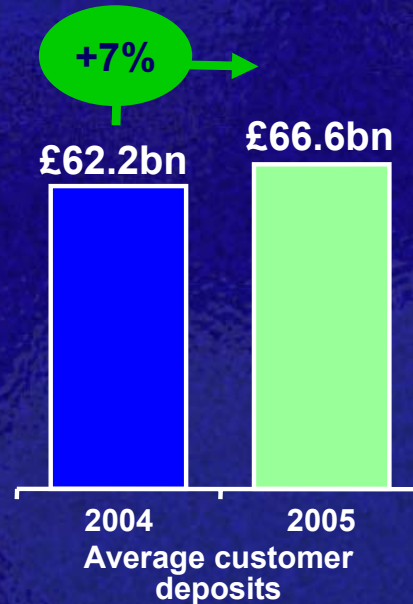
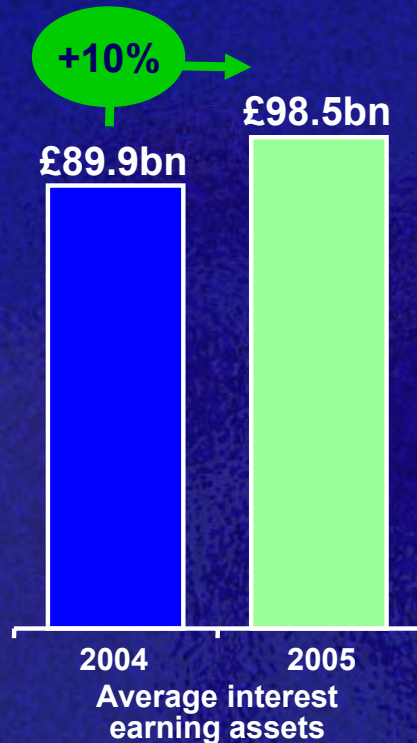
| £m | 2004 | 2005 | % Change |
|-----------------------------------|-------|--------|----------|
| Net interest income | 4,901 | 5,203 | 6 |
| Other income | 4,751 | 5,116 | |
| Insurance claims | (214) | (197) | |
| Other income, net of claims | 4,537 | 4,919 | 8 |
| Total income, net of claims | 9,438 | 10,122 | 7 |
| Policyholder grossing adjustments | 51 | 50 | |
| | 9,489 | 10,172 | 7 |

* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations. Also excludes customer redress provisions and strengthening of reserves for mortality

Lloyds TSB Group

Good asset and deposit growth*

UK Retail Banking

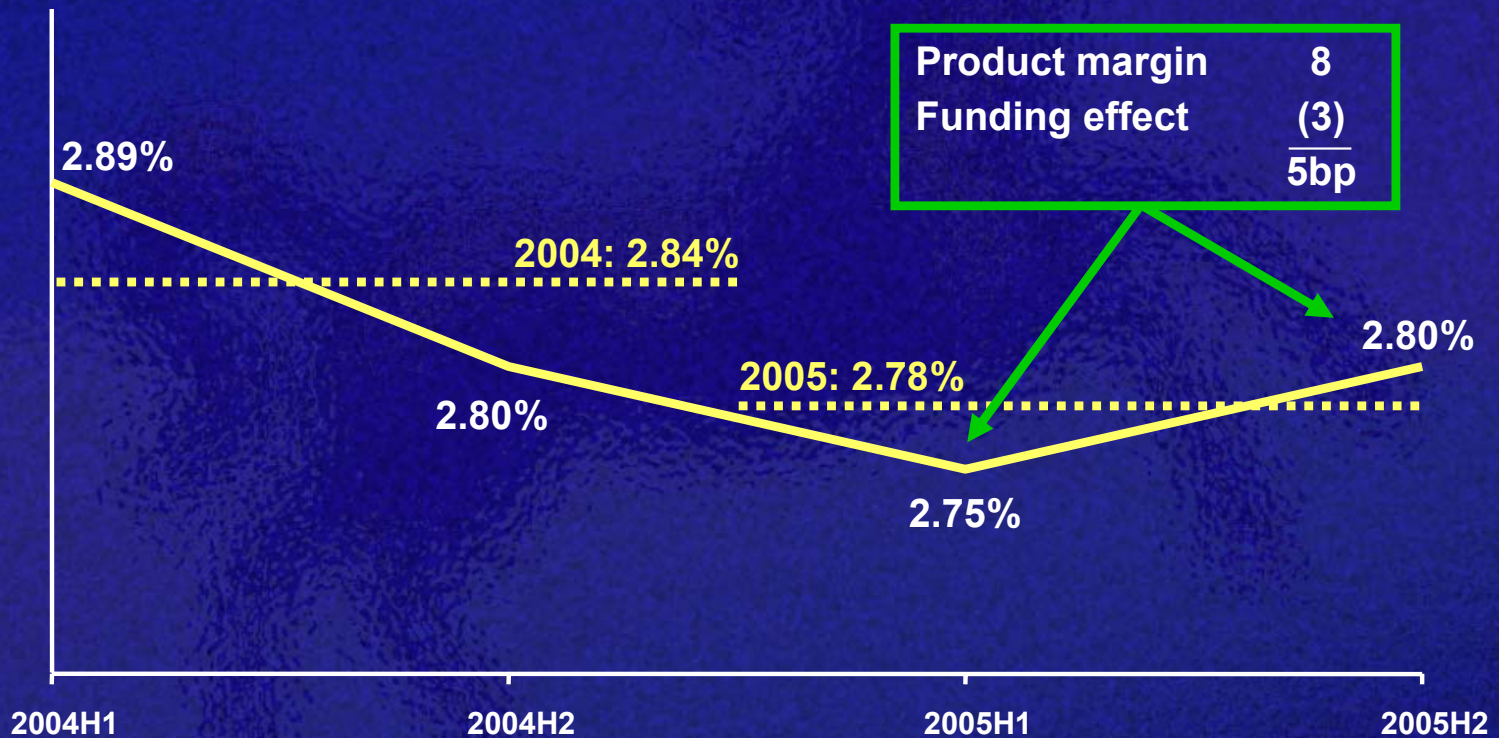


Wholesale & International Banking



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

Net interest margin – stable*



* 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 | 2004 | 2005 | % Change |
|-----------------------------------|-------|-------|----------|
| UK Retail Banking | 3,228 | 3,307 | 2 |
| Insurance & Investments† | 94 | 101 | 7 |
| Wholesale & International Banking | 1,986 | 2,165 | 9 |
| Central group items | (407) | (370) | |
| | 4,901 | 5,203 | 6 |
| Policyholder grossing adjustments | 189 | 310 | |
| | 5,090 | 5,513 | 8 |

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

† excluding policyholder grossing adjustments

Lloyds TSB Group

Other income, net of insurance claims*

| £m | 2004 | 2005 | % Change |
|-----------------------------------|--------------|--------------|----------|
| UK Retail Banking | 1,696 | 1,811 | 7 |
| Insurance & Investments† | 1,252 | 1,396 | 12 |
| Wholesale & International Banking | 1,544 | 1,710 | 11 |
| Central group items | 45 | 2 | |
| | 4,537 | 4,919 | 8 |
| Policyholder grossing adjustments | (138) | (260) | |
| | 4,399 | 4,659 | 6 |

* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations. Also excludes strengthening of reserves for mortality

† excluding policyholder grossing adjustments

Lloyds TSB Group

Strong cost control maintained*

| £m | 2004 | 2005 | % Change |
|-----------------------------------|-------|-------|----------|
| UK Retail Banking | 2,509 | 2,532 | (1) |
| Insurance & Investments† | 573 | 607 | (6) |
| Wholesale & International Banking | 2,047 | 2,186 | (7) |
| Central group items | (12) | (1) | |
| | 5,117 | 5,324 | (4) |
| Policyholder grossing adjustments | 37 | 32 | |
| | 5,154 | 5,356 | (4) |

* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations. Also excludes customer redress provisions

† excluding policyholder grossing adjustments

Lloyds TSB Group

Focus on costs

Operational principles

- Simplify
- Improve efficiency
- Leverage common systems/processes cross-group



- Transforming group wide procurement
- Consolidation of back office processes
- Organisational delayering/ simplification

Focus on costs

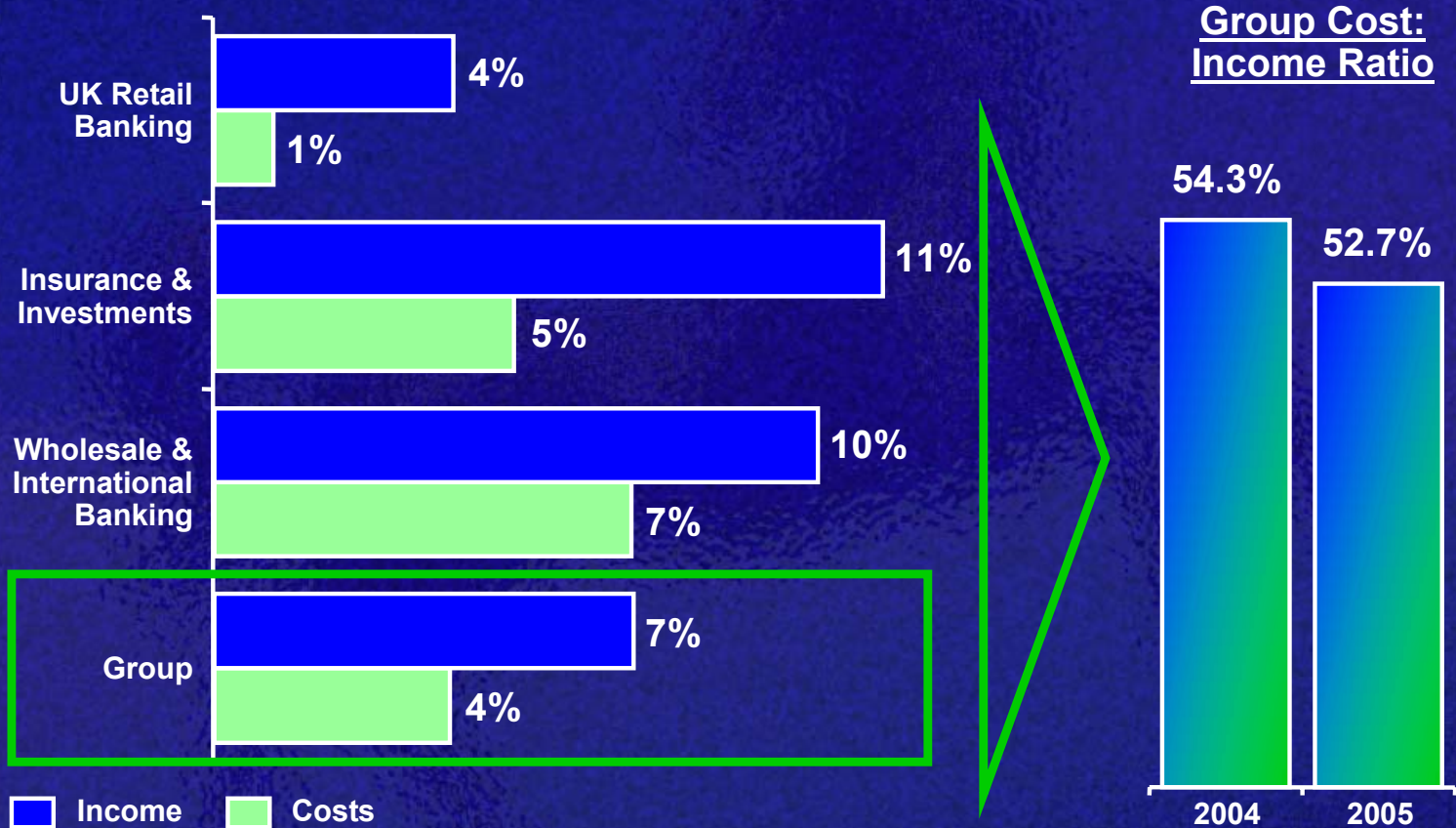
Financial principles

- **Self funding**
- **Payback c. 2 years**
- **Reinvest c. 50% of benefits**



- **c. £40 million investment in 2005**
- **c. £20-30 million net benefit in 2006**
- **c. £100-150 million net benefit in 2007**

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. Also excludes customer redress provisions and strengthening of reserves for mortality

Impairment losses on loans and advances*

| | 2004 | 2005 | Variance | % of Average Lending | |
|--|------------|--------------|-------------|----------------------|-------------|
| | £m | £m | % | 2004 | 2005 |
| UK Retail Banking | 676 | 905 | (34) | 0.75 | 0.92 |
| - Personal loans/overdrafts | 473 | 585 | (24) | 4.20 | 4.76 |
| - Credit cards | 242 | 307 | (27) | 3.42 | 4.01 |
| - Mortgages | (39) | 13 | - | (0.05) | 0.02 |
| Insurance & Investments | (3) | - | - | - | - |
| Wholesale & International Banking | 230 | 185 | 20 | 0.43 | 0.31 |
| Total | 903 | 1,090 | (21) | 0.61 | 0.66 |

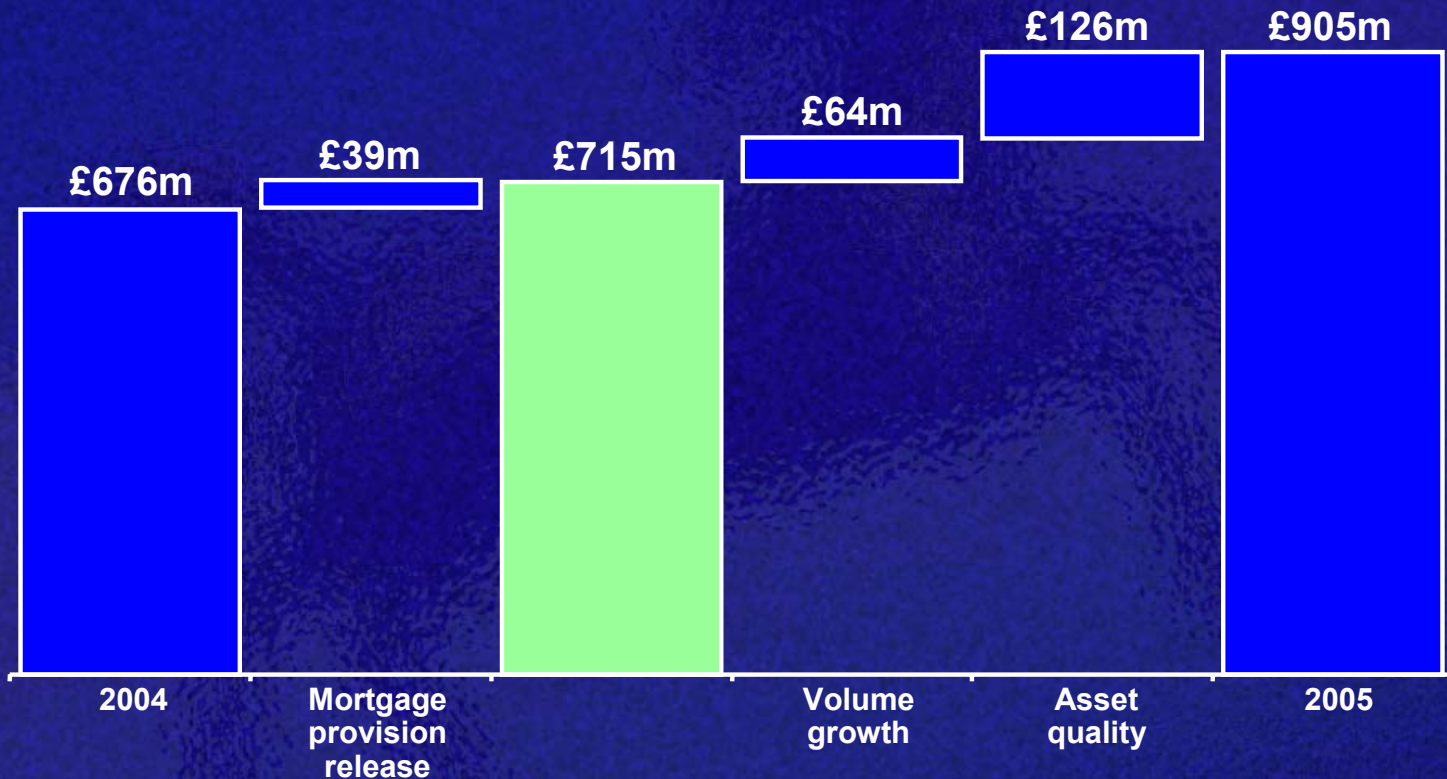
* comparable basis – excluding other IFRS adjustments applied from 1 January 2005 and discontinued operations

Impairment losses on loans and advances*

| | 2004 | 2005 | Variance | % of Average Lending | |
|--|------------|--------------|-------------|----------------------|-------------|
| | £m | £m | % | 2004 | 2005 |
| UK Retail Banking | 676 | 905 | (34) | 0.75 | 0.92 |
| - Personal loans/overdrafts | 473 | 585 | (24) | 4.20 | 4.76 |
| - Credit cards | 242 | 307 | (27) | 3.42 | 4.01 |
| - Mortgages | (39) | 13 | - | (0.05) | 0.02 |
| Insurance & Investments | (3) | - | - | - | - |
| Wholesale & International Banking | 230 | 185 | 20 | 0.43 | 0.31 |
| Total | 903 | 1,090 | (21) | 0.61 | 0.66 |

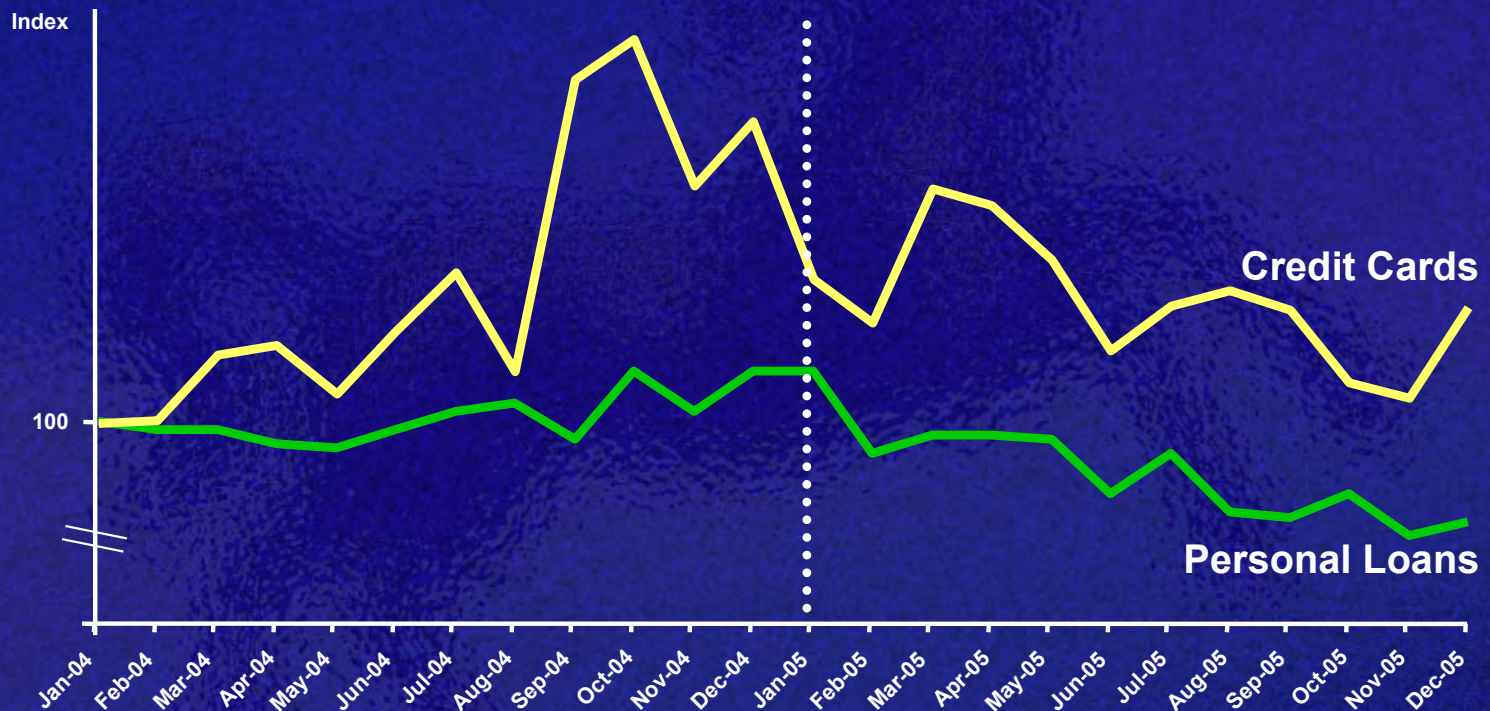
* comparable basis – excluding other IFRS adjustments applied from 1 January 2005 and discontinued operations

Impairment losses – UK Retail Banking*



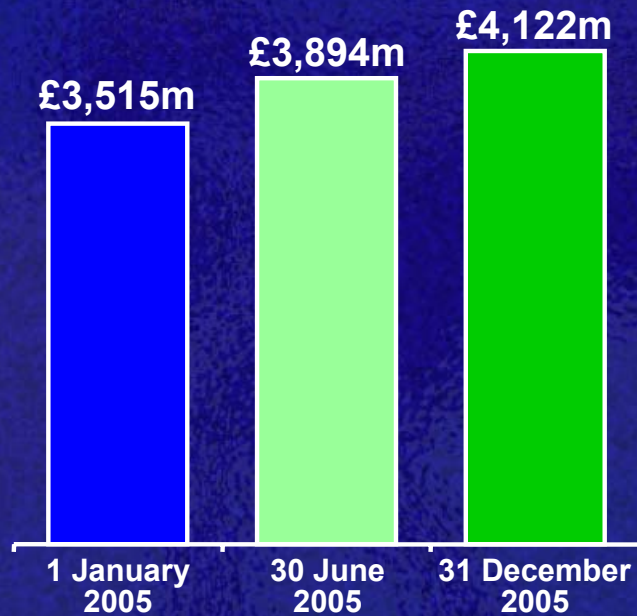
* comparable basis – excluding other IFRS adjustments applied from 1 January 2005 and discontinued operations

New business – probability of default

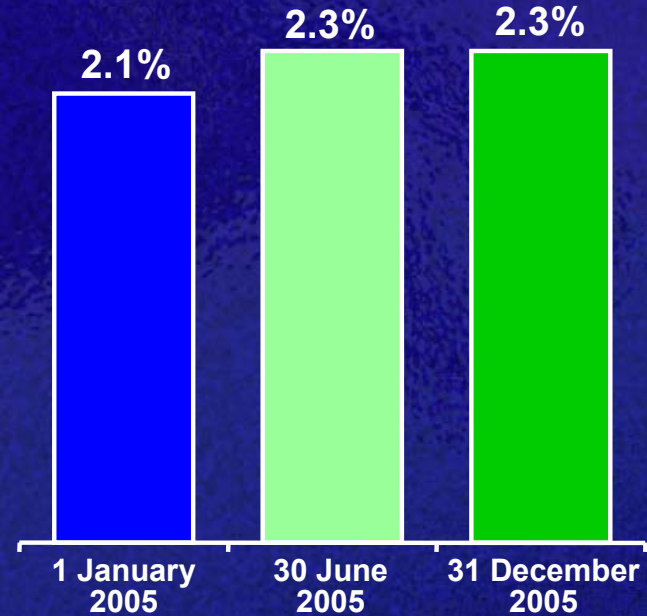


Asset quality – impaired assets

Impaired Assets

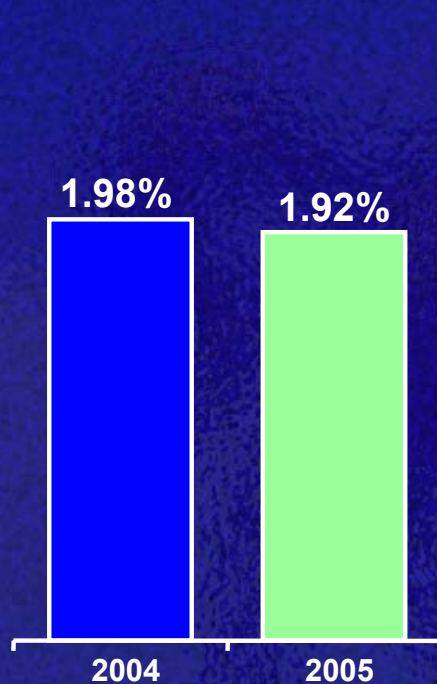


Impaired Assets as a Percentage of Total Lending

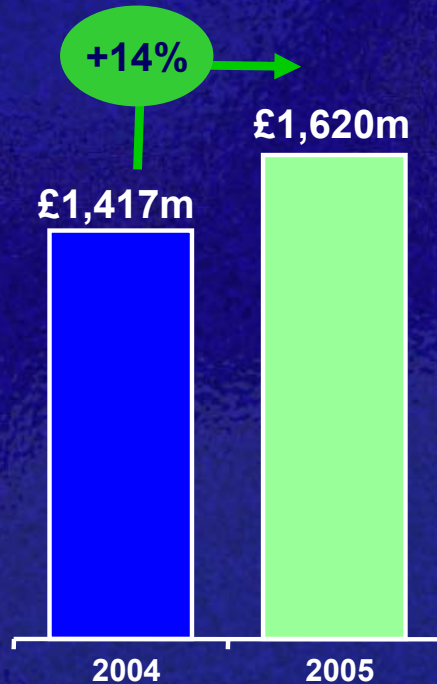


Maintaining high returns*

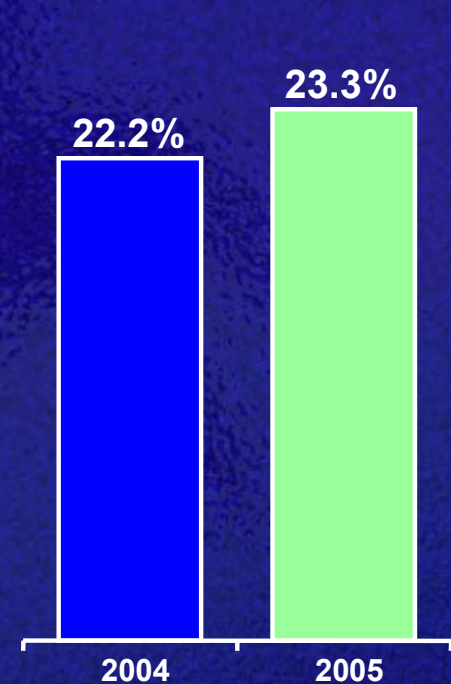
Post-tax Return on Risk-weighted Assets



Economic Profit



Post-tax Return on Equity



* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations. Also excludes customer redress provisions and strengthening of reserves for mortality

Capital ratios remain robust

| | <u>1 January 2005</u> | <u>31 December 2005</u> |
|---------------------------------|---------------------------|-----------------------------|
| Risk-weighted assets | £131.8bn | £144.9bn |
| Total capital ratio | 10.1% | 10.9% |
| Tier 1 ratio | 8.2% | 7.9% |



- £1 billion in dividends received from Scottish Widows
- Sufficient retained earnings to support expected risk-weighted asset growth

Scottish Widows – strong capital management

| <u>Long-Term Fund (£bn)</u> | <u>31 December 2004</u> | <u>31 December 2005 estimated</u> |
|---|-----------------------------|---|
| Available assets, including support account | 22.0 | 23.2 |
| Realistic value of liabilities | (17.8) | (19.1) |
| Net surplus | 4.2 | 4.1 |
| Working capital ratio | 19.0% | 17.8% |
| Risk capital margin cover | 9.3x | 11.5x |

Improving our balance sheet management

- **Moving from 'buy and hold' to 'origination and distribution'**
- **During 2006, rolling mortgage securitisation programme**
- **Over time, programme expanded to include other asset classes**
- **Exploring ways to repatriate further capital from Scottish Widows**

Reducing the pension schemes' deficit

| £m | 2004 | 2005 |
|------------------------------------|-------|-------|
| IAS 19 pension deficit | 3,075 | 2,910 |
| Deferred tax | (923) | (873) |
| IAS 19 pension deficit, net of tax | 2,152 | 2,037 |

- During 2005, additional voluntary contributions of £220 million
- Triennial valuation currently being finalised
- Discussions underway with Trustees with objective of reducing the schemes' deficit

2005: a year of strong performance

Continuing to build earnings momentum

- **Good customer franchise growth**
- **Accelerating revenue growth**
- **Positive jaws across all three divisions**
- **PBT up 9%, economic profit up 14%**

Sustaining high returns

- **Product margins stable**
- **Satisfactory asset quality**
- **ROE of 23.3% (2004: 22.2%)**
- **Improving cost:income ratio**

Maintaining a robust capital position and dividend

- **Robust capital ratios**
- **Improving capital efficiency**
- **Maintained strong dividend**
- **Improving dividend cover**

Note: comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations. Also excludes customer redress provisions and strengthening of reserves for mortality

Lloyds TSB Group

2005 Annual Results

24 February 2006

Eric Daniels
Group Chief Executive

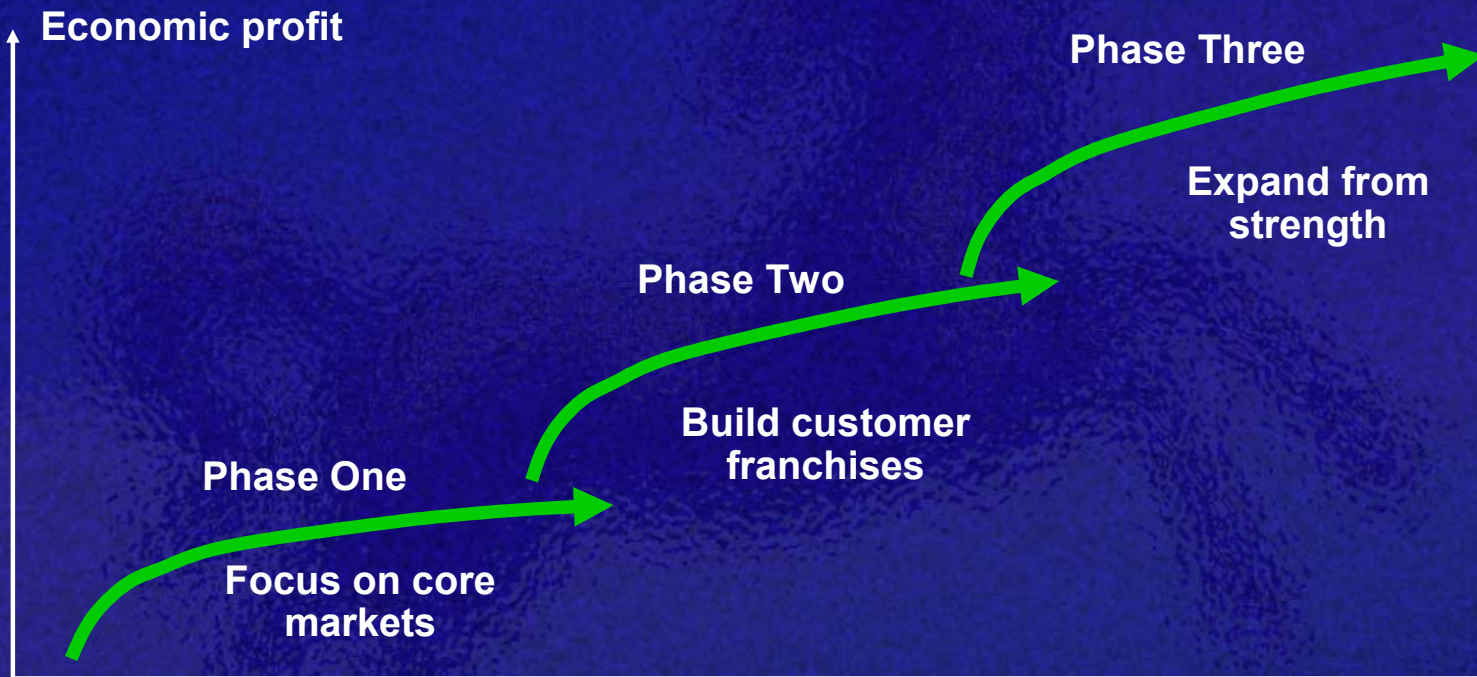


Lloyds TSB Group

Four key messages

- **We have significant potential in our franchises**
- **We can structurally improve our productivity**
- **We can manage capital to fund growth**
- **We are building the skills and financial strength to accelerate growth – in core businesses and from new markets**

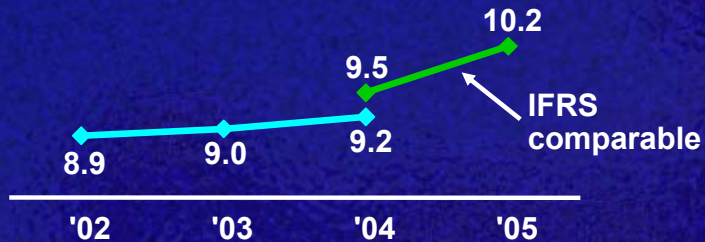
Reminder: our strategy



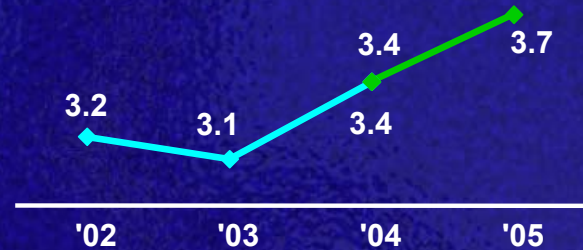
- Enhance earnings quality
- Maintain profitability
- Start growth
- Deepen relationships
- Improve productivity
- Build capabilities
- Accelerate growth
- Leverage capabilities in new markets

Our financial progress

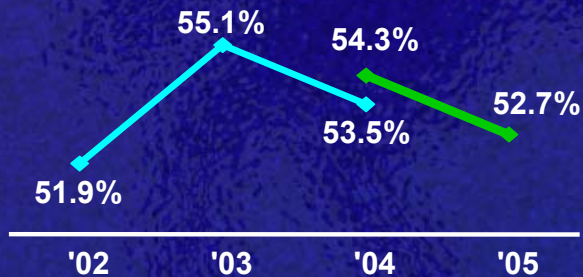
Income, £bn*



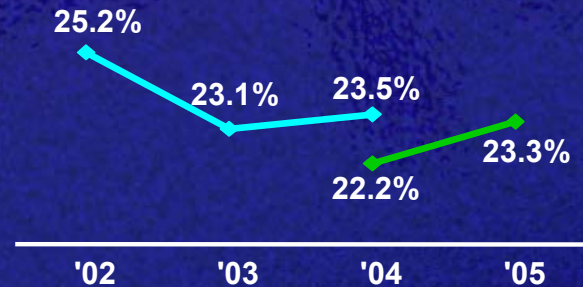
PBT, £bn*



Cost:income ratio, %*



ROE, %*



* 2002-4 figures on a UK GAAP basis excluding discontinued operations. 2004-5 figures are on an IFRS comparable basis excluding major one-offs

Our priorities for Phase 2

Strategic priorities

Build our franchise reach and depth

Enhance our product capabilities

Improve our productivity

Work our capital harder

Financial goals for Phase 2

- **Strong revenue growth**
 - **A step change in operational efficiency**
 - **Enhanced capital efficiency and dividend capacity**
- 
- **Double digit economic profit growth**

UK Retail Banking: driving growth

Our objectives

Grow income from existing customer base

Grow income from new customers

Improve productivity

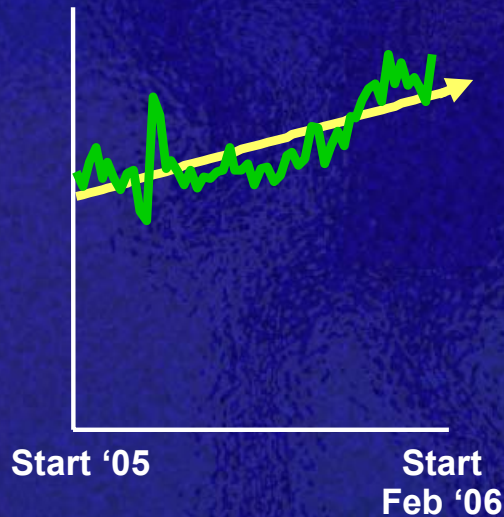
What we are doing in 2005-6

- **Growing sales volumes**
- **Changing product sales mix**
- **Increasing direct channel sales**
- **Increasing branch sales capacity and effectiveness**
- **Reducing overheads and back office costs**

UK Retail Banking: sales volumes

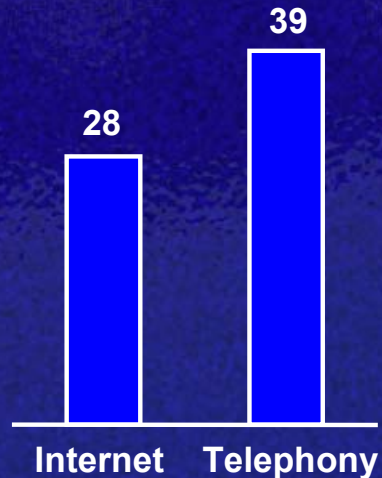
Improving branch sales performance ...

Indexed sales volumes as a % of prior year period



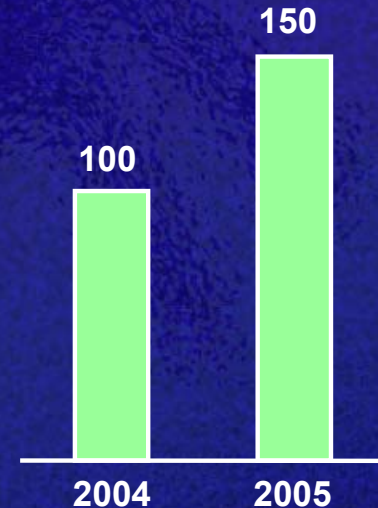
... increasing direct channel sales ...

2005 sales volume growth, %



... and driving target customer recruitment

Indexed net recruitment, target customers



UK Retail Banking: sales productivity

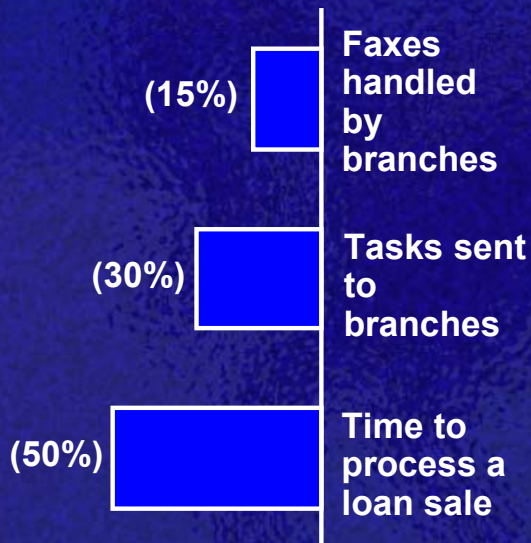
Increasing sales capacity ...

... and improving sales effectiveness ...

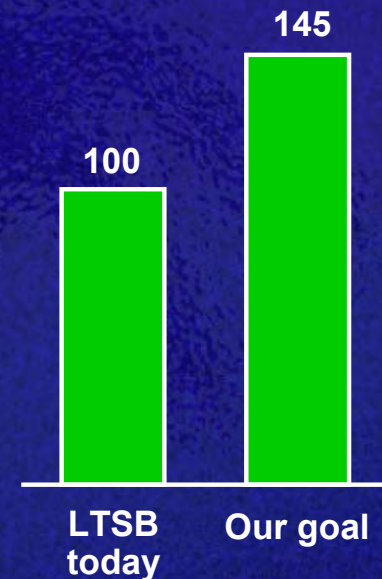
... to increase sales productivity

2004-2005 % change

Indexed sales



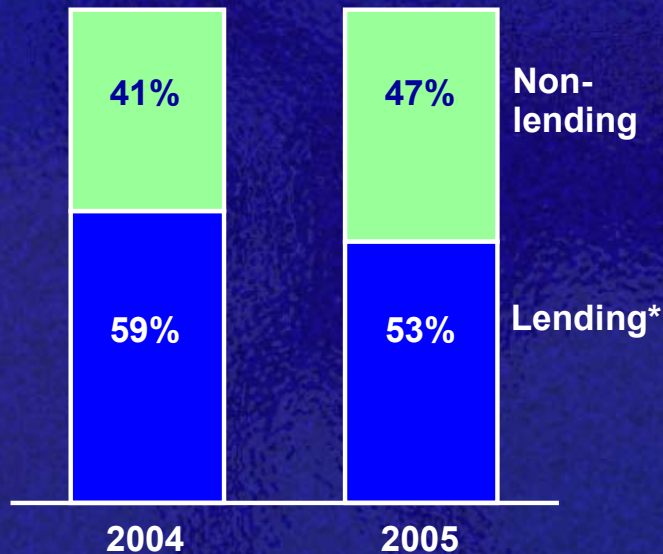
- New strategic sales platform
- Improved customer leads



UK Retail Banking: sales mix

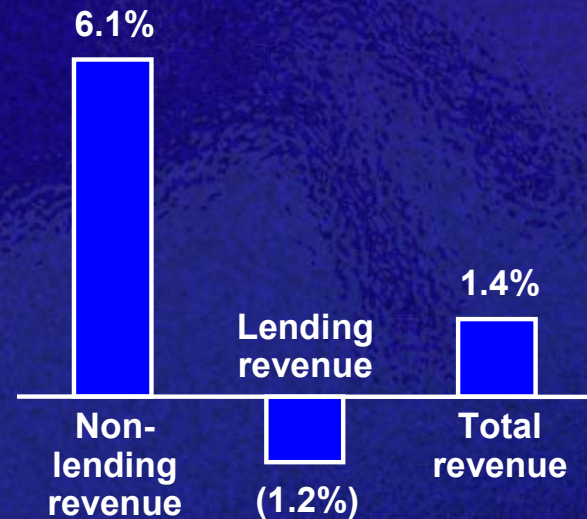
Changing the overall product sales mix ...

Total retail product sales volumes



... to drive higher non-lending income per customer

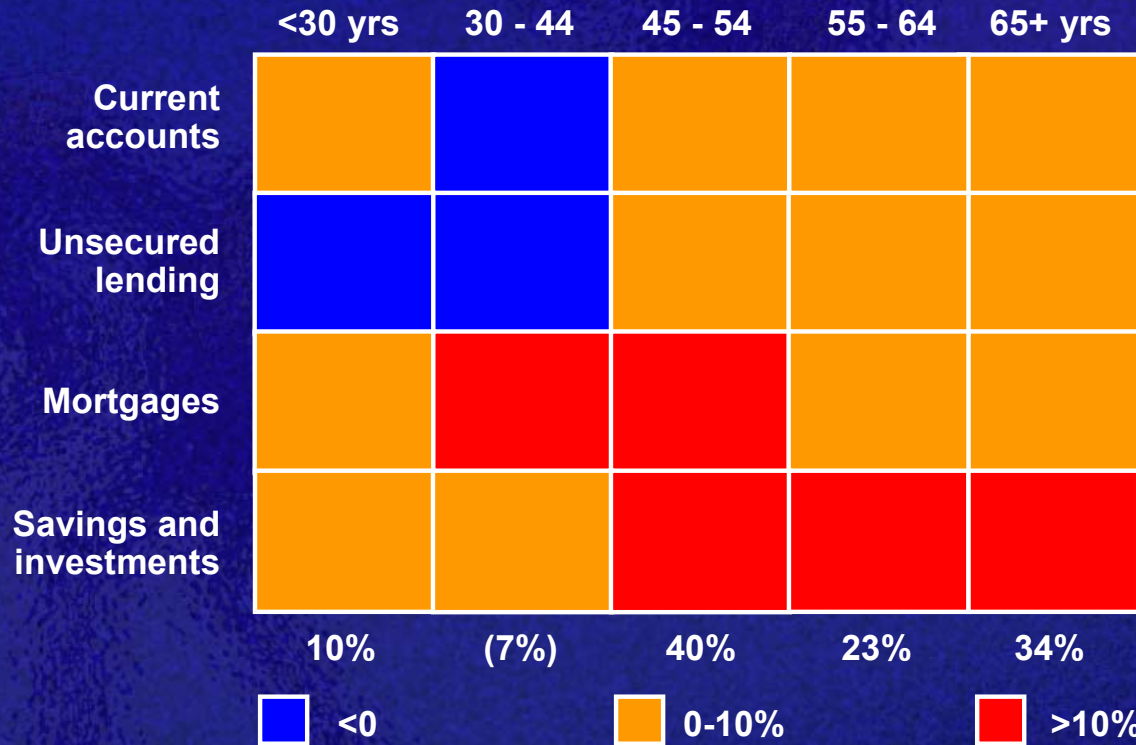
H2 04-05 growth per customer, target customers



* includes secured and unsecured lending and related protection products

UK Retail Banking: the demographic opportunity

Market risk-adjusted revenue growth to 2010:
share by age and product



Source: internal analysis

Lloyds TSB Group

UK Retail Banking: growth outlook

- **Against a weaker market in 2004 and 2005, we are improving the fundamentals of the business**
 - Improving customer acquisition
 - Growing non-lending business
 - Improving sales effectiveness
 - Improving efficiency
- **Going forward we will accelerate growth in the Retail Bank**
 - Attractive demographics
 - Higher quality income
 - Sales and back office productivity

W&IB: break-out growth

Our objectives

**Grow the Corporate Markets
business**

**Build on the growth
momentum in Business
Banking**

What we are doing in 2005-6

- Growing product capabilities
- Driving cross sell
- Capturing relationship headroom
- Building asset distribution

- Winning higher value customers
- Improving productivity and service
- Simplifying our offer and our operations

W&IB: 2005 performance

Business unit performance

| Profit before tax* (£m) | 2004 | 2005 | % Change |
|--|-------------|-------------|-----------------|
| Corporate Markets | 732 | 958 | 31 |
| Business Banking | 153 | 206 | 35 |
| Asset Finance | 240 | 219 | (9) |
| International Banking | 120 | 133 | 11 |
| Wholesale & International Banking | | | +20% |

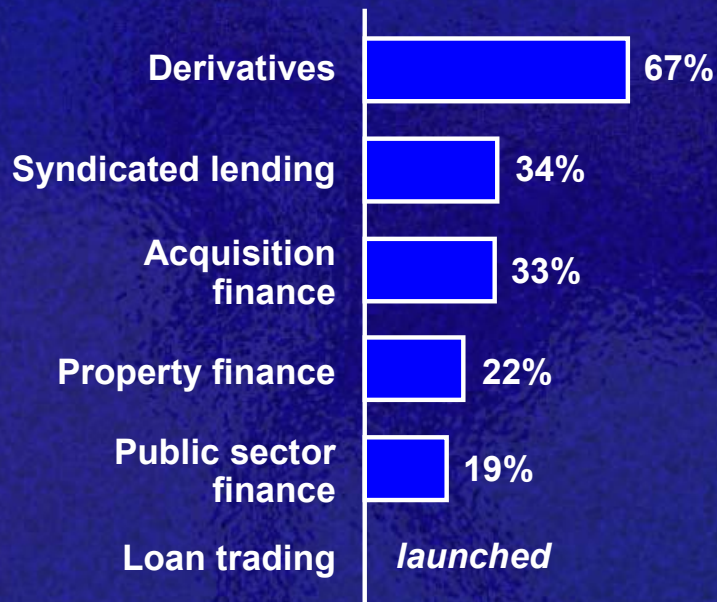
* comparable basis – excluding impact of volatility, other IFRS adjustments applied from 1 January 2005 and discontinued operations

Lloyds TSB Group

W&IB: growing the Corporate Markets business

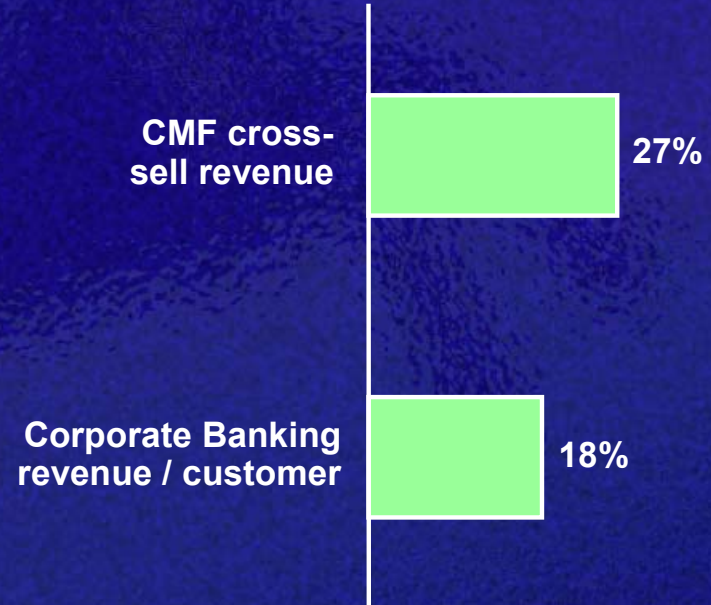
Growing in key product areas...

Income growth 2004-2005, %



... and increasing cross-sales to corporate customers

Cross-sell growth 2004-2005, %



W&IB: growing the Corporate Markets business

Recent surveys show improving customer perception
of our capabilities*

| | | <u>% improvement 2004-5</u> |
|----------------------------------|-----------------------------|---------------------------------|
| Relationship quality | • Excellent service | + 100% |
| | • Creativity | + 30% |
| | • Follow-up | + 25% |
| Relationship depth | • Syndications | + 66% |
| | • Interest rate derivatives | + 50% |
| | • Foreign exchange | + 24% |
| Customer satisfaction | • Overall satisfaction | + 137% |

* improvement in number of customers responding positively. Selected comparisons taken from major independent market surveys with our 'larger corporate' customer segment

Lloyds TSB Group

W&IB: moving Business Banking to growth

Improving sales and service

- Relationship managers back in branches
- Income generating contacts up
- Improved customer satisfaction by 9% pts

Growing the franchise

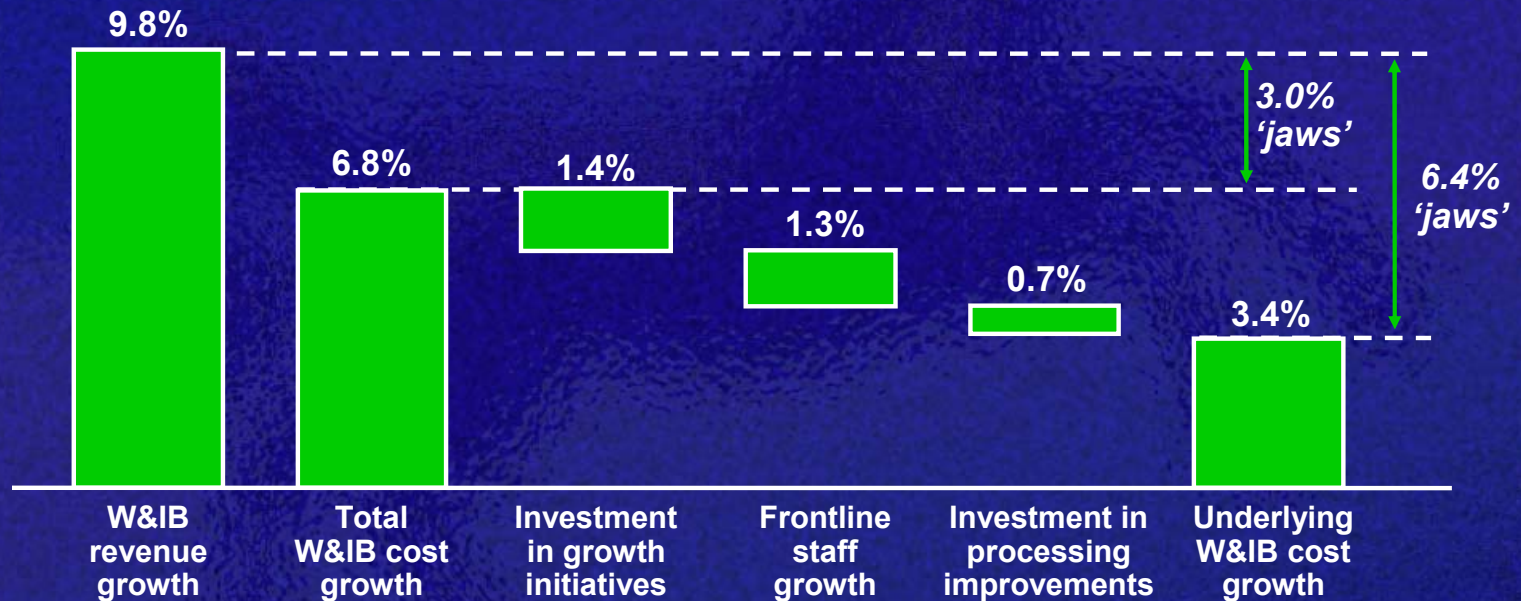
- Growing market share
- Gaining in switchers and start-ups

Simplifying operations

- Improved cost:income ratio by 4% pts

W&IB: 2005 cost growth

Around half of W&IB's cost growth 2004-5 will deliver future profit growth – mainly in CMF and Business Banking



W&IB: growth outlook

- **We can continue our performance momentum**
 - Step up our share of 'lead' relationships
 - Grow mid-market share in key regions
 - Build our product range
 - Accelerate revenue growth in Business Banking
 - Increase back office productivity

Insurance & Investments: accelerating growth

Our objectives

Maximise distribution reach

Develop better products

Improve capital management

What we are doing in 2005-6

- Focusing on the most valuable IFA relationships and improving service
- Improving our bancassurance product range and sales effectiveness
- Improving investment performance
- Raising individual product IRRs
- Repatriating excess capital

I&I: Scottish Widows IFA performance

Service improvements and more competitive products, will continue to drive sales and market share growth

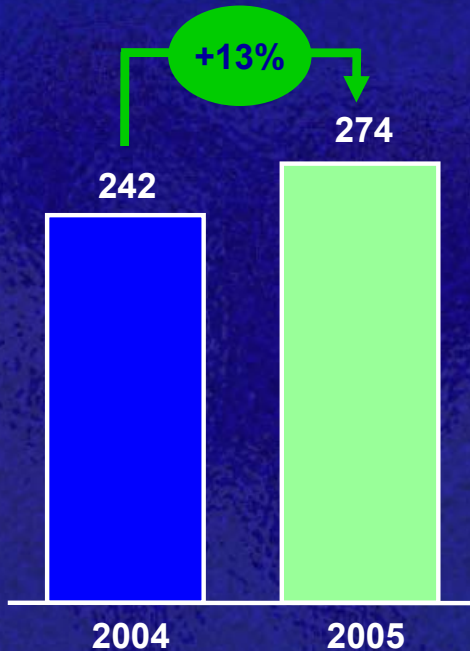


* total LP&I market estimate

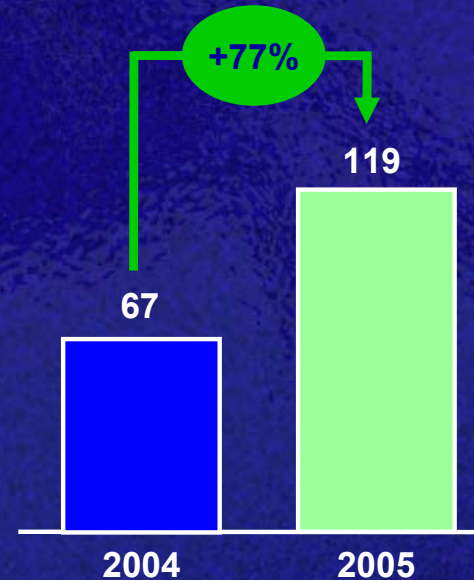
I&I: bancassurance performance

Revised offers and salesforce development have delivered overall sales growth of 13%, with particular success in OEICs

Overall weighted sales, £m



OEIC sales, £m

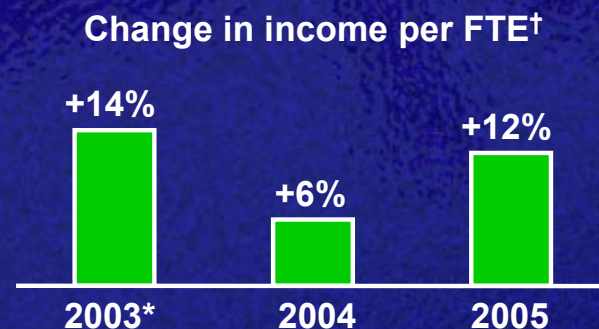
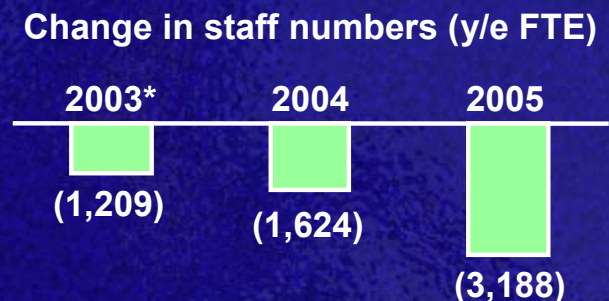
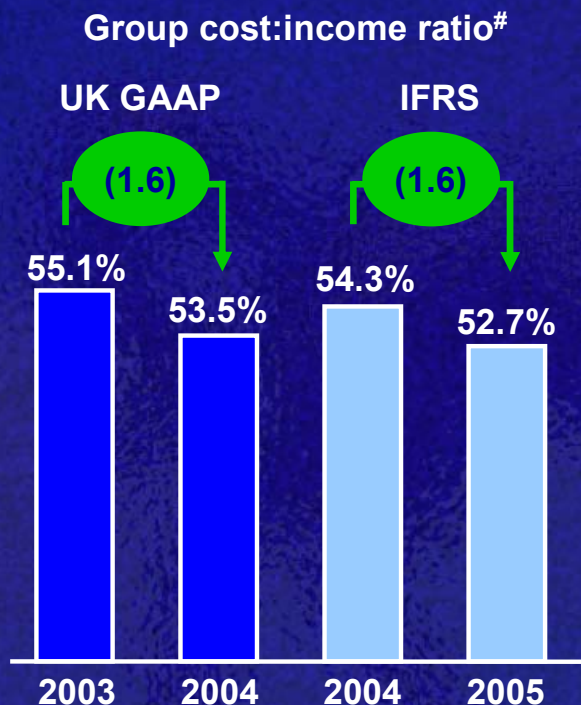


Insurance & Investments: growth outlook

- **Strong LP&I performance – growing market share in a growing market**
- **We can continue to grow and improve profitability**
 - IFA - improved investment performance and product mix
 - Bancassurance - simplified products, better salesforce productivity, attractive customer base
 - Capital efficiency

Achieving a step change in productivity

Our 'jaws' discipline has delivered results



2002-4 figures on a UK GAAP basis excluding discontinued operations. 2004-5 figures are on an IFRS comparable basis excluding major one-offs

* 2002-3 underlying – excluding acquisitions and disposals

† 2002-4 uses UK GAAP; 2004-5 uses comparable IFRS, excluding customer redress provisions and strengthening of reserves for mortality

Achieving a step change in productivity

Strategic priorities

Leverage our scale

Exploit our cost management skills

Match best in class efficiency standards

What we are doing

- Consolidating processes
- Applying 'lean manufacturing'
- Transforming procurement
- Simplifying management structure
- Extending Sigma programme

Working our capital harder

Strategic priorities

Maximise capital efficiency in each business

Shift lower yield risk off our balance sheet

Focus on our strength in origination



What we are doing

- **Focusing on economic profitability at a customer and product level**
- **Further improving capital efficiency in Scottish Widows**
- **Developing distribution capabilities in Corporate Markets**
- **Implementing asset securitisation**

Phase 3: leveraging capabilities in new markets

- **We are building the right capabilities**
 - Customer and sales skills
 - Manufacturing skills
 - Cost management skills
 - Capital management skills
- **In a consolidating global FS market, value creation will be driven by the transfer of advantaged capabilities**
 - Not through scale alone

Four key messages

- **We have significant potential in our franchises**
- **We are structurally improving our productivity**
- **We are managing capital to fund growth**
- **We are building the skills and financial strength to accelerate growth – in core businesses and from new markets**

Forward looking statements

This document is a summary only of certain information contained in the announcement dated 24 February 2006 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.

Lloyds TSB Group