

To Bank Shareholders

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## Bank Investors Campaign – Update No. 10

### Lloyds

Lloyds Banking Group recently announced an “Asset Protection Scheme” which is effectively the provision of insurance by the Government to cover their poorer quality assets (most of which have come from HBOS) and the risks of default on them. The total amount covered will be £260 billion. To pay for this insurance (cost £15.6bn) the company will issue “B” non-voting shares to the Government which can be converted to ordinary shares at the option of the Government.

In addition the existing £4bn of preference shares held by the Government (and which have an expensive interest coupon), will be replaced by new ordinary shares which will be issued at 38.43 pence per share. These will be made available under a “placing and open offer” so existing shareholders can subscribe for them. If they are not taken up fully by existing shareholders, then the Government will subscribe for them (i.e. underwrite the offer).

The Government currently holds 43% of the company and this will rise to 65% if shareholders do not take up the offer and could be as much as 75% if and when they convert the “B” shares. So the often stated desire of Chairman Sir Victor Blank to stay out of complete control by the Government looks to have been thwarted. Now that shareholders have finally seen the outcome of the disastrous merger with HBOS, in effect a complete handing over of control to the Government and yet more dilution of their equity in the business, they are somewhat dismayed that the directors are still trying to justify the alleged benefits of this merger.

As one institutional investor was reported as saying to the press after a meeting at the ABI: *“We agreed to listen first and then act collectively. But patience is thin. They’ve destroyed Lloyds and then given the bank away”*.

Shareholders will get a vote on this proposal, and we can only suggest that you vote against it. More comments on this were issued in a press release which is present at: [www.uksa.org.uk/UKSA\\_Press079\\_Banks&Lloyds.pdf](http://www.uksa.org.uk/UKSA_Press079_Banks&Lloyds.pdf). That press release also announced the formation of a “Lloyds Bank Shareholder Action Group” to promote the specific interest of shareholders in this company. Anyone on our mailing list for this newsletter who we know are Lloyds shareholders will receive further information in due course and a dedicated web site page will be set up for it. A committee to oversee the activities of this group is being formed.

A letter has already been written to Sir Victor Blank, which includes a request for a meeting to discuss the latest proposals.

Details of the "Asset Protection Scheme" are available from the Lloyds web site at: [www.lloydsbankinggroup.com/investors.asp](http://www.lloydsbankinggroup.com/investors.asp) . There is also a copy of a presentation to analysts by the company present on that web site where it is suggested that the FSA is increasing the capital requirements of banks. Both the Government and the company seem to be protecting themselves against a future economic ice-age which in reality may be very unlikely to happen.

But one only has to read the Treasury Announcement on the Asset Protection Scheme to guess what the real motive might be. It says it "*aims to remove continuing uncertainty about the value of banks' past investments, cleaning up banks' balance sheets and providing them with greater confidence to rebuild and restructure their operations and increase lending in the economy*". The last part is surely the key motive for the Government pushing this onto Lloyds.

### **General Bank Campaign**

We will continue to run a separate group to cover the more general financial, regulatory and political issues associated with banks in general. The web page for that is of course: [www.uksa.org.uk/Bank\\_Investors\\_Campaign.htm](http://www.uksa.org.uk/Bank_Investors_Campaign.htm)

We are now accepting donations to support the work of this group which you can donate to on-line at [www.uksa.org.uk/AppealBankInvestors.htm](http://www.uksa.org.uk/AppealBankInvestors.htm) (by credit/debit card or by printing out the page and sending a cheque). Please donate if you are able to do so as these campaigns do take considerable resources if they are to be successful.

### **Royal Bank of Scotland**

We understand an independent "shareholder action group", which is considering legal action, is in the process of being formed on RBS and we will advise more information on that as soon as it is available.

### **No.10 Petition**

We have mentioned the petition on the Prime Minister's web site concerning the treatment of bank shareholders in the past, but so far it has not collected many signatures. Please go to this web page and sign it if you have not already done so: <http://petitions.number10.gov.uk/bankshareholders/> . Don't forget to forward it to friends and relations also.

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*Note that all previous information issued by UKSA in respect of our campaign on banks is present on the following web site page: [www.uksa.org.uk/Bank\\_Investors\\_Campaign.htm](http://www.uksa.org.uk/Bank_Investors_Campaign.htm)*