

To Lloyds Banking Group Shareholders

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Lloyds Bank Shareholders Action Group – Update No. 5

Meeting for Lloyds Shareholders

Shareholders are reminded that on **Saturday 31st October at 11.0 am** we are holding a meeting for **Lloyds Bank shareholders** at the **QEII Conference Centre** in London. This is part of the Moneyshow conference and exhibition event which is on the 30th/31st October. Attendance at this event is FREE, but you do need to register to gain admission. See www.uksa.org.uk/LloydsMeeting.htm for more information and a link to the Moneyshow web site to enable you to register.

The meeting is primarily aimed at enabling shareholders to ask questions about what this Group has been doing and the progress of the campaign to obtain some recompense for shareholders from the losses they have suffered as a result of the mistaken merger of Lloyds TSB and HBOS. It will enable those who have registered with this Group to meet the committee formed to run this Group and it will primarily be a question and answer session, but there will be short presentations at the start by Committee Chairman Nick Shaw and by Roger Lawson. More information on where we are in terms of examining the legal issues associated with past events will be given at the meeting. UKSA will also have a stand in the exhibition area at this event (no. 413) where you can come and have a chat at any time.

In addition UKSA Director Roger Lawson will be giving a presentation on "**Shareholder Activism in the Banking Sector**" at 2.0 pm on the Saturday where he will be outlining what UKSA has been doing in this area over the last year.

Asset Protection Scheme

Lloyds seems to be seriously considering an "escape plan" (as one newspaper put it), whereby it will avoid participation in the Government's Asset Protection Scheme by raising substantial additional funds from elsewhere. This might involve raising £15bn via a placing or rights issue, and would probably require the Government to participate so they would maintain their current 43% shareholding – but at least their financial interest would not rise further which is what the APS implied. It seems the Government would not be willing to underwrite the issue though. In addition they might require a "break fee" of more than £1bn to cover the cost of implicitly providing the insurance since the APS deal was announced. The possible new proposals are of course subject to FSA approval and a close examination that the balance sheet can stand up to future stresses.

To minimise the funds needed to be raised, the proposals might also include significant asset sales which are probably required to meet EU competition demands. Indeed it has just disposed of its Halifax estate agency business for a £1, although that was loss-making recently. Also there may be debt for equity swaps included.

Whether the new Chairman of Lloyds Bank can pull this trick off remains to be seen, although it is probably in the best interests of shareholders if he could manage to do so. Having the Government as a controlling shareholder is not ideal because despite all their protestations about running the banks on a commercial basis with no “interference”, you can take that with a pinch of salt. Only recently did Lord Myners say he would take steps to limit bonuses paid to bankers at RBS – whether that is a good or bad thing, I wouldn’t like to comment, but it shows how much control and influence Government ministers have in reality. An existing stake of 43% held by the Government already gives them a powerful voice in the affairs of Lloyds, so undoubtedly shareholders would like to see that reduced, which can only happen if the Government sells some of its equity in due course.

Roger Lawson

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Note that all previous information issued by UKSA in respect of our campaign on Lloyds Bank is present on the following web site page: www.uksa.org.uk/Lloyds.htm