

## Press Release

For immediate release

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**UK Shareholders Association**  
BM UKSA  
London  
WC1N 3XX

Phone: 0870-70-60-600  
Email: [uksa@uksa.org.uk](mailto:uksa@uksa.org.uk)  
Web: [www.uksa.org.uk](http://www.uksa.org.uk)

## UK Shareholders Association Questions HBOS Takeover

In the interest of the shareholders of HBOS, and also all banking customers, we believe that certain questions need to be asked.

FIRST, if they do indeed believe this, the directors of HBOS should be required to make a statement to their shareholders that in their judgment it is in the shareholders' interest to sell the business at the proposed price to another bank. The directors should also be required to explain the situation in terms in which their shareholders can be expected to understand. The explanation should include a frank description of how the current situation developed and the commercial mistakes and misjudgements which have been made. It should also include an explanation as to why the recent rights issue has so soon proved inadequate to the needs of the business that it cannot maintain its independence.

When providing their explanations of how a sale of the bank is in the interest of the shareholders, the directors will be aware that the purchasing bank will be required by its own shareholders to explain why the deal is in their interest – both explanations will be in the public domain. We expect the two explanations to be capable of reconciliation.

To the outside observer, using the financial information which has been provided by HBOS, the bank appears to be profitable. And the recent rights issue raised around £4.5bn. If it is indeed a "good deal" for the shareholders of HBOS to sell the bank at around the current market price, the directors have a lot of explaining to do. The offer appears to be only about half of the net asset value which is the usual benchmark for the minimum value of a bank.

**Only if HBOS shareholders receive an adequate explanation that convinces them that a sale of the bank was essential should they approve the takeover by voting for it.**

SECOND, we believe that the Authorities – and here we include the FSA, the Government and the Competition Authorities – should provide a public statement of how the removal of one of the very largest banks can possibly be in the public interest, and explain what they propose to do to protect the public interest. We are already concerned that consumers get an extremely poor deal from many financial services. With Northern Rock no longer being a competitive force, and Alliance & Leicester removed, the disappearance of HBOS will surely mean a much less competitive retail banking sector than before, when it had already suffered past criticism for the apparent lack of price competition.

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THIRD, we suggest that it is reasonable for the shareholders in HBOS to ask to be reassured by the FSA that the current situation is not simply a result of short selling. Shareholders will be aware that the true value of a business is not necessarily reflected by its market price.

**For further information, please contact:**

Roger Lawson, Communications Director  
UK Shareholders Association  
Telephone: 020-8467-2686  
Email: [roger.lawson@btclick.com](mailto:roger.lawson@btclick.com)

**About the UK Shareholders Association (UKSA)**

UKSA is the leading independent organisation which represents the interests of private shareholders in the United Kingdom. We campaign to protect the rights of shareholders in public companies, and to promote improved standards of corporate governance. Our educational activities, regular regional meetings, company "analyst" meetings and the resources of our web site, help to inform the public on investment management. UKSA is a "not for profit" organisation which is financially supported primarily by its individual members.

We would also draw attention to the submission we made to the Banking Reform Consultation on 15 September 2009. In that submission we argued that it was necessary for policy-makers not to over-react to the current crisis by making legal changes which could have adverse unforeseen consequences. We also argued that there is an ownership vacuum resulting from the large institutional shareholders failing to fulfil their responsibilities as owners. Our response can be found at [http://www.uksa.org.uk/Banking\\_Reform\\_2008.pdf](http://www.uksa.org.uk/Banking_Reform_2008.pdf)