

To Lloyds Banking Group Shareholders

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UK Shareholders Association
1 Bromley Lane
Chislehurst
BR7 6HL
Phone: 020-8468-1027
Email: uksa3@btconnect.com
Web: www.uksa.org.uk

Lloyds Bank Shareholders Action Group – Update No. 7

Rights Issue Voting & Take-Up

At the General Meeting of Lloyds Banking Group on the 26th November, there was an overwhelming vote in favour of the rights issue. Due to illness of the writer of this newsletter, which has also delayed this issue, we did not manage to get out some voting recommendations but we would have been generally supportive as it was probably a better option than participating in the APS. The main problem for private investors was no doubt a shortage of cash to take up the rights if you wished to participate (and failure to participate meant very substantial dilution of course). But take-up of the rights was over 95% so it was well supported in practice.

As the company pointed out in its circular, it was not at all clear what options the company would have had available if the latest proposals were voted down by shareholders, and they would have had to re-open discussions with the Treasury. That is why the directors no doubt recommended the proposals to shareholders. So in essence it was a case of voting to support these proposals, or putting the company back to square one.

Note that some private investors in Lloyds held Lloyds bonds which were subject to an “exchange offer” to convert them to Enhanced Capital Notes. Initially these were only going to be cleared through Euroclear which is a clearing system available to institutional investors but not private investors and their brokers. This would have excluded private investors. We understand Lloyds did rectify this problem, but there were potentially tens of thousands of investors affected by this issue and it demonstrates the lack of concern for private investor’s interests that nobody identified and resolved this before the offer document was issued.

A report on the Lloyds General Meeting is present in this document on our web site:
www.uksa.org.uk/Lloyds_EGM_Report_Nov2009.pdf

Lloyds Job Cuts

Lloyds Bank has announced further job cuts of up to 5,000 staff as a consequence of the further integration of the HBOS and Lloyds TSB operations.

HBOS Investigation

Although this information was known some time ago, several newspapers have commented recently that the FSA is investigating the statements made in the prospectus that HBOS issued for its own rights issue some time before the merger with Lloyds TSB. Any report on this investigation may not be made public however.

Secret Loans to HBOS

There have been revelations by the Bank of England that some £62 billion in "Emergency Liquidity Assistance" was lent to HBOS (now part of Lloyds Banking Group) and Royal Bank of Scotland to shore them up during the worst of the market turmoil after the collapse of Lehman Brothers in late 2008.

The Bank of England, supported by the Treasury, apparently took the decision to conceal these loans "in the public interest", but the loans were apparently identified by the National Audit Office during its enquiry into whether or not the Treasury's rescue of these banks was justified. Knowing the report was going to be published, the Bank of England had no choice but to reveal the details of the loans. What if the National Audit Office had not uncovered them?

These loans of course demonstrate what an appalling state the finances of HBOS were in at the time. The latest example of the unwise commercial property lending by HBOS is the collapse of Kenmore. Lloyds had loans and equity investments outstanding to Kenmore of over £700 million and the company has gone into Administration.

Legal Action Status and Fund Raising

Solicitors PCB Litigation have been appointed by a group of shareholders recruited from our supporters to look into the legal issues associated with the events at Lloyds and the takeover of HBOS, with a view to formulating a possible legal claim. We will report more on this at a later date and we expect to be able to give you further information in a few weeks time.

Note that we still need more funds to support this campaign and the legal research. If you have not already contributed and registered your interest, please go to this web page: www.uksa.org.uk/AppealLloyds.htm . If you wish to take an active role in this matter then please contact the Chairman of this group, Nick Shaw, via email to nshawatnicholasshawassociates@yahoo.co.uk

Roger Lawson
Lloyds Shareholder Action Group
Email: roger.lawson@btclick.com;
Direct telephone: 020-8467-2686
Web: www.uksa.org.uk

Note that any routine inquiries or notifications of change of address should be directed to uksa3@btconnect.com, telephone: 020-8468-1027, not to the above.

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