UKSA

Press Release

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Sir Victor Blank, Lloyds Bank Voting Recommendations & Remuneration Policies

The UK Shareholders Association (UKSA) welcomes the news that Sir Victor Blank is planning to depart as Chairman of Lloyds Banking Group. But we would prefer to see him go sooner rather than later and we issued a note to Lloyds shareholders on Saturday recommending that they vote against his re-election at the forthcoming Annual General Meeting on the 5th June.

In summary we gave these recommendations to shareholders:

1. Shareholders should vote against the re-election of Sir Victor Blank and against the other directors who were present on the board when the decision was taken to merge with HBOS. That decision was clearly a mistake and has resulted in a good quality bank, which paid a high dividend, being intermingled with the poor assets of HBOS. Dividends have had to be dropped as a result and large amounts of money raised from the Government who already own 43%, and that figure is likely to rise further. Effective control of this company has been placed into the hands of the Government and the original shareholders in Lloyds TSB massively diluted. This result was easy to anticipate as many observers did at the time, but the directors still pushed ahead with it.

2. Shareholders should also vote against the Remuneration Report. Although there are some token gestures in the direction of reforming executive pay, the proportion of bonuses in total remuneration is still much too high. Two-thirds of expected remuneration is still being paid in bonuses. In addition, the basis of the LTIP incentive scheme has been changed to de-emphasise financial performance, when it is likely to be poor for the short term future. This is simply opportunistic.

We deplore the fact that UKFI, the new state-owning arm of the Government, has not taken this opportunity to persuade the board to rebase remuneration in this bank to a lower level, and with a much lower level of bonuses.

Although we agree with the recommendations of the recent Treasury Committee Report on the Banking Crisis and Pay in the City, in that bonuses should still have a place in the remuneration of senior executives in banks, we do not accept that Lloyds has gone far enough in reforming its practices. We agree with the Treasury Committee that a high percentage of remuneration paid in bonuses encourages risky behaviour and that this was one factor in the banking crisis.

More details:

More information on our voting recommendations for Lloyds and our comments on the banking sector in general are present on this page of our web site: www.uksa.org.uk/Lloyds.htm . We issue a regular newsletter to supporters of our campaign on this company, and the latest edition is present in this document: www.uksa.org.uk/Bank_Campaign_Update_15.pdf . It explains the reasons for our recommendations in more detail.

The Treasury Committee Report on the Banking Crisis can be obtained from: www.publications.parliament.uk/pa/cm/cmtreasy.htm

Note that the Lloyds Bank Shareholders Action Group is still considering the legal issues associated with the merger of Lloyds TSB and HBOS, and the crisis in the latter company that led to the merger.

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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.