

LTU Supports Fight To Save Dividend

In previous Newsletters on the Lloyds TSB - HBOS takeover we have highlighted a number of key issues and made it clear that we will be looking for positive responses from the Bank on those issues if we are to support the takeover.

Those key issues are:

- To ensure that the thousands of jobs that will be lost as a result of the takeover are achieved via voluntary means and not through compulsory redundancies.
- The Bank should guarantee for a period of 5 years that staff will have the choice of either the 1997 Redundancy Terms and for staff aged over 50 drawing an immediate non-actuarially pension or taking the 2006 Redundancy Terms with an actuarially reduced pension.
- There should a freeze on all programmes that involve the transferring of jobs to India.
- The Bank should commence plans to immediately return to the UK all those jobs that have been transferred to India already.

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- The Pension Scheme Trustees should negotiate significant up front pension contributions from the Bank before any takeover is allowed to go ahead.

Discussions with the Bank on our key issues have begun and will continue over the next few months. However, there is one issue on which we can definitely agree and that is that Lloyds TSB should be allowed to pay dividends to its small shareholders, many of whom are hard working members of staff, now rather than in 5 years time. Members with any questions or comments on this Newsletter can contact the Bedford Office on 01234 262868 or email us 24hours@ltu.co.uk.

Government Bailout Explained

Few would have thought that within two weeks of Lloyds TSB's proposal to take over HBOS being announced, it would have to be renegotiated because of the collapse in the share price of both organisations. Equally you would have been laughed at if you'd suggested that RBS, HBOS and Lloyds TSB would have to go cap in hand to the Government for a £37 billion financial bailout in order to bolster their capital ratios and that in two of the three organisations their Chief Executives would be forced to resign.

Details of the Government bailout of Lloyds TSB include:

- The raising of £5.5 billion of new capital. £4.5 billion will be in ordinary shares and £1 billion in preference shares HBOS will be getting a capital injection of £11.5 billion, £8.5 billion will be in ordinary shares and £3 billion in preference shares. The preference shares will attract a fixed return of 12% per annum
- The Government will effectively own a maximum of 43.5% of the new 'superbank'. However, the Bank plans to give current shareholders the opportunity to buy the new shares and if that happens then the Government's holding in Lloyds TSB will be reduced accordingly.
- The Government, in conjunction with Lloyds TSB, will appoint two independent Directors to the Board.
- Whilst any of the preference shares remain outstanding the new 'superbank' will not be allowed to pay a cash dividend on its ordinary shares for a period of 5 years.

No To Dividend Freeze

Since the announcement of the terms of the deal that led to the part nationalisation of Lloyds TSB we have received an unprecedented number of calls, letters and emails from members concerned that a dividend freeze for the next five years will seriously reduce their standards of living.

In cases we dealt with last week, pensioner members emphasised the importance of their twice yearly dividend payments in helping them cover their important household and medical bills. Equally, there are many staff in the Bank who rely on their dividend payments to supplement their basic salaries.

We accept that taxpayers should be fully compensated for bailing out the Bank but the 12% fixed return on the £1 billion of preference shares owned by the Government in Lloyds TSB is ample enough compensation. The Government may

apparently be furious with Lloyds TSB for trying to renegotiate the terms of the deal but try to renegotiate it must. Lloyds TSB is in a different position to the other Banks in that it has not been involved in any large-scale dubious sub-prime mortgage lending or buying overpriced, overseas assets and its business model is strong. In fact, had it not chosen to help the Government out by agreeing to the takeover of HBOS, before the recapitalisation project was even being talked about, it probably wouldn't have been in the position of having to ask for the money in the first place.

LTU's Small Shareholder Plan

Lloyds TSB is a dividend stock and most staff past and present will have held on to their shares for the simple reason that over the years dividend payments have been extremely good. Rightly or wrongly, staff have got used to those payments. In the absence of those dividends for the next five years many small shareholders, including thousands of retired staff, will suffer real hardship, at a time when the UK economy is on the brink of a recession the likes of which we have not seen for a generation. In those circumstances it is important that more rather than less money is poured into the economy.

LTU believes that small shareholders in Lloyds TSB should be allowed to receive their twice-yearly cash dividend payments on up to the first 100,000 shares of their holdings. This would cover the vast majority of staff shareholdings

completely and almost all other staff holdings very substantially.

LTU will be writing to Alistair Darling, Chancellor of the Exchequer, asking him to overturn the dividend freeze for small shareholders. We will also be explaining our plan to MP's and asking them to raise this matter with the Government directly. Amongst other moves LTU will ask members to give added weight to this campaign by contacting their own MP's directly and we will provide sample letters for members to use.

Members with any questions on our campaign can contact the Union's Bedford Office on 01234 262868.

SAYE Opportunity For Staff

The Bank recently announced that it was providing staff with the opportunity to participate in a further Sharesave Plan, that will commence this October.

This would provide all Lloyds TSB Staff with the opportunity to purchase Lloyds TSB Shares at a 20% discount on the already very low share price.

To participate, staff must commit to make monthly savings into their Share Plans of anything up to £250 a month. Assuming that the Lloyds TSB Share Price increases beyond the discounted Option Price, staff will have the option of purchasing shares at that point based on the share price at the start of the Plan. The Bank will then provide staff with bonus shares.

If the share price doesn't increase, staff can choose to reclaim their savings as cash at the end of the period, with interest having been added to their savings.

If staff were to leave the Bank as 'good leavers' before the three year Sharesave Plan is complete - for example, if they were made redundant -

they would be permitted to make five further monthly payments into the Share Plan and would have to exercise their Share Options within six months of leaving the Bank.

For staff able to put aside some money each month for savings, this is likely to be an extremely attractive offer with the potential to increase their savings several times over. It will also be worth staff already contributing to the Share Save Scheme, for whom the Option Price is above the current Share Price, to consider terminating their current Share Plans, recovering their existing savings as Cash, and saving afresh in the new Sharesave Plan being launched now.

Staff wishing to contribute in this Sharesave Plan must complete and return the paperwork by 5th November at the latest.

Mark V Brown
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