

Lloyds TSB Group Union...

Shareholders' Briefing



Proposed Takeover of HBOS

Lloyds TSB Group Union

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Welcome to Lloyds TSB's Extraordinary General Meeting, where the proposed Takeover of HBOS is to be discussed and voted upon by Shareholders.

As the trade union representing the majority (over 40,000) of Lloyds TSB staff, Lloyds TSB Group Union (LTU) is pleased that you are interested in the future wellbeing and profitability of the Lloyds TSB Group, for whom our members work so hard.

LTU has given the Lloyds TSB Board our support for the Takeover, since it offers the opportunity for greater long-term stability within the finance sector and hopefully removes the ongoing threat of an overseas takeover. This is surely a shared interest of Customers, Shareholders, Staff and the wider UK Economy!

However, our Union's support for the Takeover is conditional on Lloyds TSB's Board agreeing with the Union important measures to remove the threat of large-scale compulsory redundancies as the new 'Super Bank' inevitably cuts thousands of jobs through removing overlaps and duplication.



What Lloyds TSB Needs To Do

LTU wants the Bank to recover its leadership of the UK financial services sector and we're realistic about what is needed to achieve that.

We accept that one of the main attractions of Lloyds TSB and HBOS combining will be that economies of scale can be exploited and overlaps and duplication removed... with the inevitable consequence that thousands of jobs will be lost.

In the **Circular to Shareholders** published in advance of the EGM, the Lloyds TSB Board said it had identified 61 cost saving initiatives that will save £1.5 billion annual

costs by the end of 2011; with analysts predicting this equates to the loss of at least 20,000 jobs.

But we also believe that by agreeing to a series of reasonable, practical measures being proposed by LTU, Top Management can achieve these job reductions quickly and efficiently without having to resort to large-scale compulsory redundancies.

A smooth process of integration propelled by committed staff would be in the interest of all stakeholders: the Bank; its Staff; its Shareholders and its Customers.

The Lloyds TSB Board Should Agree To...

1 Drop plans to reduce Severance Terms at the end of this year - extending to Lloyds TSB Staff for a further five years a choice between two sets of Severance Terms, that they can select depending upon which are most attractive to them.

This measure alone would help to encourage many staff who choose to leave the Bank to apply for Voluntary Redundancy and thus obviate the need to make redundant other staff who would prefer to remain working for the Bank.

2 Abandon its policy of Offshoring jobs to India. It should cease immediately its plans to transfer thousands more jobs to India, instead returning to the UK the up to four thousand jobs that are already there.

Whilst LTU does understand the case for job reductions where there is no longer a commercial need for as many staff, we do not believe it is acceptable for the Bank to ditch jobs in the UK and transfer work to India merely because existing staff can be replaced by lower-paid staff abroad.

By returning jobs from India, work could be found for the merged Banks' existing staff - which would not only be the socially responsible thing to do - in the interests of Customers, Staff and the UK Economy - but would also substantially reduce redundancy costs.

3 Work closely with the Union to develop plans that minimise the prospect of staff being made compulsory redundant when overall job numbers need to be reduced.

So far, the Lloyds TSB Board has not begun discussions with the Union on either the likely scale of job reductions or the measures that can and should be adopted to avoid large-scale compulsory redundancies. Uncertainty is bad for morale, bad for company performance and bad for the Bank's standing in local communities.

A constructive dialogue aimed at preventing compulsory redundancies should be a high priority for the Bank.



Today, LTU will be asking the Lloyds TSB Board two questions on behalf of Lloyds TSB Staff...

1 ...

“What justification does the Lloyds TSB Board have for continuing its policy of offshoring jobs to India? Does it not agree that to continue with this policy is unacceptable when it is accepting billions of pounds of UK taxpayers money, unemployment is rising and when tens of thousands of its existing UK-based staff face the prospect of losing their jobs as a consequence of the Takeover?”

2 ...

“Could the Chief Executive please explain in plain, unequivocal terms what he meant when he said - in an interview on Radio 4’s Today Programme concerning measures to mitigate redundancies following the Takeover - “we do some outsourcing today that may no longer be sensible - we would rather give those jobs to our own employees”? Did Mr Daniels genuinely mean what he said and, if he did, how many existing Lloyds TSB and HBOS jobs does he believe would be saved through adopting this approach?”

These questions go to the very heart of the Lloyds TSB Board’s commitment to genuinely taking into account the impact of the Takeover on its existing staff and the wider UK economy. Nothing less than direct, unequivocal responses to these questions will be sufficient.

Why is Offshoring Jobs to India Wrong?

There are many fundamental reasons - social, economic and commercial - why Lloyds TSB is wrong to persist with its policy of offshoring jobs to India...

1 ...

Customers are overwhelmingly opposed to having their financial arrangements managed abroad, as countless surveys - and an LTU Petition signed by over 400,000 Lloyds TSB customers - have found.

3 ...

The economic case for Offshoring - particularly weighed up against the risks - is evaporating fast as wages in India continue to rise rapidly, high staff turnover contributes to even higher labour costs and the value of Sterling falls.

2 ...

The cost savings achieved by offshoring work to India are not always what they appear to be. We believe serious problems and risks are being concealed from Top Management. For example, work carried out in India is often corrected by UK-based staff; thus removing any perceived cost advantage.

4 ...

Should a major problem arise with the India operation - perhaps through data theft given the lower standards of data protection legislation in India - customer trust and confidence in the Bank could be seriously undermined.



But most of all, it simply isn’t socially acceptable that - at a time when UK Tax Payers are providing substantial financial support, the Economy is entering recession and Unemployment is rising - Lloyds TSB should be betraying UK Taxpayers, the UK Economy and its Staff though making redundant existing UK-based workers ... merely because they can be replaced by lower-paid staff on the other side of the world.

A Role For The Government...

LTU supports the Lloyds TSB Board in its position that the Government should not be playing an active role in the business of the Bank, despite its welcome proposals for state capitalisation.

Quite simply, commercial decisions should be made on commercial grounds, so long as they meet the essential values of corporate social responsibility.

However, we do believe that the Government should insist that the Lloyds TSB Board understands the responsibilities that it has to its Customers, Staff and the wider UK Economy - which must involve making every reasonable effort to avoid compulsory redundancies as it reduces overall job numbers and, in particular, ensuring that where work has previously been offshored this should be repatriated to the UK in order to mitigate loss of jobs amongst its existing UK-based staff.

All UK Jobs Matter

LTU believes that all the merged Banks' jobs are important, irrespective of where in the UK they are based.

For that reason, we welcome the Lloyds TSB Board's decision to continue leading the Banks' Scottish operations from Edinburgh.

But the fact remains that there are large concentrations of jobs in the two Banks across the UK: whether these be in London, South Wales, Halifax, Bristol, Gloucester, Birmingham, Manchester, Brighton or for that matter a host of other locations across the UK. Significant and unbalanced scaling down of the merged Banks' operations in any of these areas would have significant repercussions on levels of unemployment and the local economies.

A carefully balanced approach to safeguarding jobs is therefore needed.

Dividend Payments Freeze...

LTU congratulates the UK Government for stepping in to provide financial stability to the banking sector through helping to strengthen the capitalisation of Lloyds TSB and HBOS.

However, LTU has supported the Lloyds TSB Board in lobbying the Government to remove the condition that no Dividend Payments can be paid to all Lloyds TSB Shareholders until the Bank has bought back from the Government all Preference Shares.

We believe that the Lloyds TSB Board has been far more astute in managing risk and is being tainted by the less responsible conduct of other banks.

Many of our members (active staff and pensioners) hold a stake in the Bank and - like other small Shareholders - are dependent upon the income received from their Shares to help make ends meet.

They should not be punished for any perceived wider mismanagement in the finance sector. LTU is therefore pressing the Government to allow Shareholders with relatively small holdings of Lloyds TSB Shares - under 100,000 - to be permitted to continue receiving Share Dividends.

About Lloyds TSB Group Union...

Lloyds TSB Group Union - with over 40,000 members - represents the majority of staff working for the Lloyds TSB Group and will, assuming the HBOS Takeover goes ahead as planned, continue to be easily the largest trade union representing staff in the new 'Super-Bank'.

In the merged Bank, the next largest union would be Accord, which currently represents just over 30,000 HBOS Staff. A third trade union, Unite, has only a marginal presence within both Banks and, with approximately

8,000 members, would represent just 5% of the merged Bank's workforce.

LTU is neither affiliated to any political parties nor to the TUC, since we believe our policies should be decided by Lloyds TSB Staff, for Lloyds TSB Staff, without any outside interference.

Finally, LTU is completely independent of the Bank - both financially and organisationally. We rely entirely upon income from members.



If you would like more information, please contact LTU's Assistant General Secretary, Steve Tatlow, on **07879 643130** or email him at **Steve.Tatlow@ltu.co.uk**