

LTU & Bank Agree Bonus Deferral Arrangements

Members should have received details of the Bank's proposal to offer loans for those bonuses deferred following the Group's participation in the Government's Asset Protection Scheme. LTU first proposed that staff whose bonuses had been deferred should have the option of taking part of that bonus in the form of a loan. The Bank accepted that principle and we have now agreed the details of how such a scheme would work.

The main elements of the scheme are as follows:

- **Bonuses deferred until June 2010 will then be paid in three equal annual instalments. Under the terms of the Asset Protection Scheme instead of receiving cash some staff received their bonuses in the form of subordinated debt. The Group will hold an amount equivalent to their bonus as a cash deposit until the vesting date on the 1st June each year. The cash will earn interest at 3.5%.**
- **The first bonuses under this scheme will be released on the 1st June 2010 subject to any clawback that may apply. If your bonus pot is more than £500, after tax and national insurance, the Bank will ask if you want to convert loan to cash, retain the loan note to redeem at a future date or take a combination of the two. If your bonus is less than £500 you will automatically receive a cash payment.**
- **If you have opted to take some of your bonus in loans notes then you can sell them on the open market at any time in the future. All staff with deferred bonuses will receive an additional cash payment equivalent to the interest they**

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could have earned from 1st April 2009 to each vesting date had they taken the bonus in cash placed on deposit at 3.5%

- **All staff whose bonuses have been deferred will be able to take out loans against their 2008 bonus awards. Staff will receive letters telling them the maximum amount they can borrow. To avoid complication staff will only be able to apply for the full amount set out in their individual letters.**
- **The interest rate will be 4.8% fixed for the three-year term of the loan. The subordinated debt, which will be released in June 2010, 2011 and 2012, will be used to repay loan amounts. The accrued interest on the loans will be debited from accounts in the 37th month. Staff leaving the Bank will not be required to repay the loan or interest immediately.**

Members with any questions should contact the Advice Team on 01234 262868 or email us at 24hours@ltu.co.uk.

Job Cuts Begin

Wholesale Banking has announced the next Wave of job reductions resulting from the integration of Bank of Scotland and Lloyds TSB operations, involving the loss of 625 jobs across the Division. This follows on from plans unveiled last week to cut 19 jobs from Wholesale Markets and Treasury & Trading.

The areas affected by this latest phase of Wholesale Integration - and the number of redundancies planned in each - include:

- **Commercial & Corporate (Level 4) - 70 jobs.** Segmentation in Scotland between Corporate and Commercial will be set at £15m turnover; the same as has operated in LTSB. Around 153 staff will be included in the Wave 4 pool, competing for just 44 remaining roles within Commercial and 39 in Corporate. Segmentation in England and Wales is still to be confirmed.
- **Commercial Scotland - 80 jobs.** There will be the removal of one-to-one reporting lines ('elbow support') and managers will have teams of 8-10. Support for RM's will be based at just 3 hubs - Edinburgh, Glasgow and Aberdeen - leading to the withdrawal from 10 sites. However, the single biggest impact will be from the migration of most customers with under £500K turnover to a direct channel in Edinburgh, involving the loss of around 93 medium turnover (i.e. Band 5) roles.
- **Specialist Finance - 157 jobs.** This will be a new business unit concentrating on the European Private Equity Market, formed by combining several BoS teams together with LTSB's Acquisition Finance Unit (AFU). The Bank plans a 36% overall reduction in staff numbers from 430 to 273 FTE. In the case of the AFU, this will be combined with two BoS teams to create Lloyds Asset Finance, whose staff numbers will be cut in half from 183 to 96 FTE.
- **Corporate Real Estate - 59 jobs.** The 59 roles being lost this year include 2 roles that will be lost through Level 4 selection, 32 will transfer from Edinburgh to London and a further 25 will be lost due to the transfer of work to the Direct operation.

- **Finance - 74 jobs.** The number of Level 4 roles will reduce from 128 to 54.
- **Chief Operating Office (Level 4) - 41 jobs.** 72 staff will be assigned to selection pools for just 31 roles at Band 2 or equivalent across Transactional Banking, Legal, Data Management & Quality and Change & Integration.
- **Commercial Finance (103 jobs) and Asset Finance Lex/Autolease (Level 4) (5 jobs).**

In most areas of the Group, further significant job reductions will be inevitable in future Waves and we will keep you informed of developments through regular Newsletters.

Commercial Banking - The Next Steps

At this stage, the Bank has only reached the point where it is ready to communicate its plans for Commercial Banking in Scotland, though we anticipate a further announcement concerning England and Wales over the next two months.

One of the biggest differences between the two merging banks' operations has been that whilst LTSB business customers with under £15 million turnover have been handled by Commercial and those above this by Corporate Banking, those within BoS have been managed through a single business unit.

Under the new integrated operating structure for Scotland, the Lloyds TSB operating model will be adopted; customers with over £15 million turnover being handled by Corporate and those with lower turnover by Commercial. The model for England and Wales is still to be confirmed.

Meanwhile, the majority of medium-turnover customers (around 80%) with under £500k turnover will not be supported by frontline managers, but instead by a direct channel based in Edinburgh.

Staff Impact - Scotland

The key impact of these changes upon staff will be as follows:

- A number of BoS staff will be transferred out of Commercial Banking: 45 who mainly have customers with over £15m turnover will transfer to Corporate Banking, 14 Agriculture staff will transfer into the UK-wide Agriculture unit and 4 Cashflow Finance staff will transfer to Commercial Finance.
- The BoS and LTSB heritage management structure will be combined, whilst one-to-one reporting lines ('elbow support') will be removed and managers expected to lead teams of 8-10 staff.
- Support for Relationship Managers will be based out of just three hubs - Edinburgh, Glasgow and Aberdeen - resulting in the withdrawal from 10 other support locations, where 23 BoS staff are currently based.
- Around 93 frontline jobs supporting Medium-Turnover customers with turnover of under £500k will be lost, as the majority of these will be supported in future from the Edinburgh-based Direct channel.
- Whilst circa 114 frontline roles will be removed at Bands 5-7, the total number Band 4 staff (mainly High Turnover, £500k-£3m) and Band 3 staff (mainly Super High Turnover, £3m-£15m) will increase by circa 18 and 20 respectively.

LTU's eForum

Why not get twittering at LTU's eForum and join hundreds of your colleagues who have started to post topics on a range of issues from balanced scorecard reviews to the new lifestyling contracts in Telephony? It's the only place you can say what you really think about your job, the Bank and on any subject you want.

One member said recently **"Your LM is probably being pressured from above to reduce ratings. I haven't even got my balanced scorecard yet. In fact none of my colleagues in our area have received their's either. Our team targets/objectives are being changed constantly, and backdated -**

how are any of us supposed to even try to achieve the targets when no-one will tell us what they are? Maybe I am cynical, but this seems an awfully good way to get those ratings down to 'Partial' or 'Not Met'.

Members who have registered their LTU Online accounts already don't need to do anything. If you have not yet signed up for an LTU Online account, please do as this provides you with access to view and post on the eForum.

To register for LTU Online simply go to www.ltu.co.uk/register and follow the instructions to register for your LTU Online account.

Trustee Elections

Two positions for Member Nominated Trustees on the Trustee Board of the Lloyds TSB Group Pension Scheme No.1 will become available later this year.

Members of the scheme will be invited to nominate themselves for these positions and full details of the process will be available to members shortly.

LTU will be supporting two candidates for the Trustee Board and details of those candidates will be announced shortly. **All the Member Nominated Trustees of the No.1 Scheme have been actively supported by LTU and we'll be asking members to vote for our chosen candidates.**

Mark V Brown
Assistat General Secretary