

HMT Interests in Assisted Bank Registrants

To date, HMT has made arrangements with three UK banks in connection with their participation under the Scheme, two of which are SEC registrants.

HMT agreed to “back-stop” ordinary share capital raisings by RBSG and Lloyds TSB Group plc (“**Lloyds**” and, together with RBSG, the “**Banks**”), both of which have equity securities registered pursuant to Section 12 of the Exchange Act. Specifically, on October 13, 2008, it was announced that HMT would facilitate the recapitalization of each Bank, including by agreeing to purchase ordinary shares and preference shares in each Bank under certain circumstances and upon certain conditions.

On October 13, 2008, RBSG announced its plans to raise £20 billion, including £15 billion by issuing new ordinary shares (“**New RBSG Shares**”) in RBSG (the “**RBSG Capital Raising**”). On October 13, 2008, the boards of directors of Lloyds and HBOS plc (“**HBOS**”) announced that they intended to recommend revised terms of the acquisition of HBOS by Lloyds (the “**Merger**”) by means of a court-sanctioned scheme of arrangement to the respective shareholders of Lloyds and HBOS, and that Lloyds would raise £5.5 billion, including £4.5 billion by issuing new ordinary shares (“**New Lloyds Shares**”) in Lloyds (the “**Lloyds Capital Raising**”). In addition, on October 13, 2008, HBOS (which does not have equity securities registered pursuant to Section 12 of the Exchange Act) also announced that it would raise £11.5 billion, including £8.5 billion by issuing new ordinary shares. That capital raising and the Lloyds Capital Raising are conditional on, *inter alia*, the Scottish court sanctioning the Merger. The Merger is subject, *inter alia*, to approval by HBOS shareholders at a meeting expected to be held on December 12, 2008.

Each ordinary share capital raising was structured in a similar manner. New ordinary shares would be offered to qualifying shareholders. To the extent such new shares are neither taken up by qualifying shareholders nor, failing that, placed with new institutional placees by placement agents, HMT agreed to purchase such new shares.

As announced by RBSG on November 28, 2008, in connection with the RBSG Capital Raising, RBSG received valid acceptances in respect of 0.24% of the New RBSG Shares and accordingly, HMT subscribed for the remaining New RBSG Shares and received those shares on December 1, 2008. As a result of this transaction, HMT acquired an ownership interest of approximately 57.9% in RBSG. The Lloyds Capital Raising is expected to open on December 15, 2008 and the New Lloyds Shares are expected to be issued (including to HMT, if applicable) on or around mid-January 2009.

can only exercise such voting rights in accordance with written instructions from the person who controls such shares. For this reason, the Treasury Solicitor, as nominee holder of shares for HMT, will not be required to make notifications under DTR 5.

A person who is entitled to exercise voting rights in the course of providing an investment management service and who is able effectively to determine the manner in which the voting rights attached to shares which are under its control are exercised is treated as a shareholder and is therefore required to make a notification under DTR 5.2.1R. It is anticipated that, in light of its role as manager of HMT's holdings in UK banking institutions, UKFI will separately be required to make notifications under DTR 5 of those voting rights in respect of which it can exercise control under management arrangements agreed with HMT.

Where two or more persons are required to make a notification under DTR 5, such persons may arrange for a single notification to be made on behalf of them all. HMT and UKFI are not exempt from the requirements of DTR 5 described above.

Content of a DTR Notification

Under DTR 5.8.1R, a notification given in accordance with DTR 5.1.2R must include the following information:

- the resulting situation in terms of voting rights;
- the date on which the relevant threshold was reached or crossed;
and
- the identity of the shareholder, even if that shareholder is not entitled to exercise voting rights, and of any person entitled to exercise voting rights on behalf of that shareholder.

Timing and Method of DTR Notification

The initial notification and any subsequent notification required by DTR 5.1.2R must be provided to the Relevant Issuer of the shares to which the notification relates and, pursuant to DTR 5.8.3R, must be effected as soon as possible, but not later than two trading days following the acquisition or disposition, "the first [day] of which shall be the day after the date on which the relevant person learns of the acquisition or disposal or of the possibility of exercising voting rights, or on which, having regard to the circumstances, should have learned of it, regardless of the date on which the acquisition, disposal or possibility of exercising voting rights takes effect...". If the shares to which the notification relates are admitted to trading on a regulated market, a copy of such

Explanatory note: In lieu of providing the information called for by Schedule 13D, Her Majesty's Treasury is furnishing a copy of "TR-1: Notifications of Major Interests in Shares", which is the standard form for any notification required to be delivered under the UK Disclosure Rules and Transparency Rules to an issuer whose shares are listed on a relevant European Economic Area market (and to the UK Financial Services Authority) following the acquisition or disposal of certain interests in the shares or voting rights in such issuer. The UK Disclosure Rules and Transparency Rules implement the European Transparency Directive (EU Directive 2004/109/EC). This modified Schedule 13D is filed pursuant to no-action relief granted by the Staff of the Securities and Exchange Commission in a no-action letter dated December 1, 2008.

