



DIVISION OF
TRADING AND MARKETS

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

October 21, 2008

Thomas N. O'Neill III
Linklaters LLP
One Silk Street
London EC2Y 8HQ

Re: Lloyds TSB Group plc
File No. TP 09-07

Dear Mr. O'Neill:

In your letter dated October 21, 2008, as supplemented by conversations with members of the staff (the "Staff") of the Securities and Exchange Commission ("Commission"), you request on behalf of Lloyds TSB Group plc, a public limited company organized under the laws of the United Kingdom and registered in Scotland ("LTSB"), an exemption from Rule 102 of Regulation M under the Securities Exchange Act of 1934 ("Exchange Act") in connection with (i) the distribution of LTSB Ordinary Shares and LTSB ADSs to be made by LTSB to holders of HBOS Ordinary Shares and HBOS ADSs, respectively, of HBOS plc, a public limited company organized under the laws of the United Kingdom and registered in Scotland ("HBOS"), in connection with the proposed acquisition of the entire issued and to be issued share capital of HBOS by LTSB (the "Acquisition") and (ii) the distribution of LTSB Ordinary Shares (the "Placing") and preference shares of LTSB to the United Kingdom Treasury ("HM Treasury") through a preference share subscription (the "Preference Share Subscription") as part of a capital raising, which includes the opportunity for eligible existing LTSB shareholders to "claw back" their proportionate entitlement to these new shares (the "Open Offer"). The Acquisition, the Placing, the Open Offer, and the Preference Share Subscription are collectively referred to herein as the "Transaction," and are described more fully in your letter.

You seek an exemption to permit LTSB and its affiliates to conduct specified transactions outside the United States in LTSB Ordinary Shares and LTSB ADSs during the Transaction. Specifically, you request that: (i) the LTSB Derivatives Business Units be permitted to continue to engage in derivatives transactions, including hedging activities as described in your letter; (ii) the LTSB Asset Managers be permitted to continue to engage in asset management activities as described in your letter; (iii) the LTSB Insurance Companies be permitted to continue to engage in insurance activities as described in your letter; (iv) the LTSB Trustees and Personal Representatives be permitted to continue to engage in trustee and personal representative-related activities as described in your letter; (v) the LTSB Collateral Taking Units be permitted to continue to engage in collateral taking activities as described in your letter; (vi) the LTSB Employee Share Plan Trustees be permitted to continue to engage in employee share plan purchasing activities as described in your letter; (vii) the LTSB Banking Groups be permitted to

continue to engage in banking-related activities as described in your letter; and (viii) the LTSB Brokerage Units be permitted to continue to engage in unsolicited brokerage activities as described in your letter.

You also seek an exemption to permit certain LTSB affiliates to conduct specified transactions in the United States in LTSB Ordinary Shares and LTSB ADSs during the Transaction. Specifically, you request that (i) Scottish Widows Investment Partnership Limited ("SWIP"), Lloyds TSB Offshore Limited, and Lloyds TSB Offshore Private Client Limited, be permitted to continue to engage in unsolicited asset management activities as described in your letter. We have attached a copy of your correspondence to avoid reciting the facts set forth therein. Unless otherwise noted, each defined term in our response has the same meaning as defined in your letter.

Response:

Based on the facts and representations that you have made in your letter, but without necessarily concurring with your analysis, the Commission hereby grants LTSB an exemption from Rule 102 of Regulation M to permit the LTSB Derivatives Business Units, the LTSB Asset Managers (including SWIP, LTSB Offshore Limited, and LTSB Offshore Private Client Limited), the LTSB Insurance Companies, the LTSB Trustees and Personal Representatives, the LTSB Collateral Taking Units, LTSB Employee Share Plan Trustees, the LTSB Banking Groups, and the LTSB Brokerage Units (collectively, the "Companies") to continue to engage in the transactions described in your letter. In particular, in your correspondence you make the following key representations:

- During the twelve-month period ended September 30, 2008, the worldwide average daily trading volume ("ADTV") of LTSB Ordinary Shares was approximately 76.2 million Shares, or approximately £319 million (approximately \$568 million) in value, and LTSB's market capitalization as of September 30, 2008 was approximately £13,528 billion (approximately \$24,085 billion). During the twelve-month period ended September 30, 2008, the ADTV of LTSB Ordinary Shares on the LSE was approximately 52.3 million shares, with a value of approximately £224 million (approximately \$399 million). As of September 30, 2008, the LTSB Ordinary Shares comprised 1.13% of the FTSE 100 index;
- The public float value for LTSB Ordinary Shares was £13,528 billion (approximately \$24,085 billion) as of September 30, 2008;
- As of September 30, 2008, approximately 98.7% of the outstanding LTSB Ordinary Shares were held of record by residents of the United Kingdom;
- The principal trading market for LTSB Ordinary Shares is the United Kingdom and trading on the LSE accounted for approximately 68.6% of the worldwide average trading volume in LTSB Ordinary Shares during the twelve-month period ended September 30,

2008. Trading on the European over-the-counter trading platforms BOAT and Chi-X accounted for approximately 27.7% of the worldwide average trading volume in LTSB Ordinary Shares during the twelve-month period ended September 30, 2008;

- LTSB maintains and enforces written “Chinese Wall” policies and procedures to prevent material non-public information from passing between the sales/trading areas and any other area of LTSB in which price sensitive information relating to LTSB Ordinary Shares (including LTSB ADSs), including information relating to the Transaction, would be available;
- The LTSB Derivatives Business Units conduct their derivatives transactions, including hedging, outside the United States and, during the twelve-month period ended September 30, 2008, the exposure to LTSB Ordinary Shares and LTSB ADSs from these derivatives transactions amounted to less than 3.5% of the worldwide ADTV of LTSB Ordinary Shares (including LTSB ADSs);
- The LTSB Asset Managers conduct their asset management activities outside the United States (except as indicated below) and, during the twelve-month period ended September 30, 2008, the asset management activities of the LTSB Asset Managers amounted to approximately 1% of the worldwide ADTV of LTSB Ordinary Shares (including LTSB ADSs);
- SWIP, LTSB Offshore Limited, and LTSB Offshore Private Client Limited conduct their unsolicited asset management activities in the United States in the ordinary course of business and not in contemplation of the Transaction. SWIP, LTSB Offshore Limited, and LTSB Offshore Private Client Limited are registered with, and are subject to the supervision and regulation of, the Commission. SWIP and LTSB Offshore Private Client are also registered with the Commission as Investment Advisers;
- The LTSB Insurance Companies conduct their insurance activities outside the United States;
- The LTSB Trustees and Personal Representatives conduct their trustee and personal representative-related activities outside the United States and, during the twelve-month period ended September 30, 2008, the ADTV of LTSB Ordinary Shares pursuant to these activities by the LTSB Trustees and Personal Representatives represented less than 1% of the worldwide ADTV of LTSB Ordinary Shares;
- The LTSB Collateral Taking Units conduct their collateral taking activities outside the United States;
- The LTSB Employee Share Plan Trustees conduct their employee share plan activities outside of the United States;

- The LTSB Brokerage Units conduct their unsolicited brokerage activities outside the United States and, during the twelve-month period ended September 30, 2008, the unsolicited brokerage activities of LTSB Brokerage Units amounted to less than 1% of the worldwide ADTV in LTSB Ordinary Shares;
- The LTSB Banking Groups conduct their banking-related activities outside the United States;
- The withdrawal from the market for the LTSB Ordinary Shares, which are among the most actively traded in the United Kingdom, for an extended period of time would have harmful effects on the customers and ordinary business of LTSB and its affiliates;
- Each of the LTSB Derivatives Business Units, the LTSB Asset Managers, the LTSB Insurance Companies, the LTSB Trustees and Personal Representatives, the LTSB Collateral Taking Units, the LTSB Employee Share Plan Trustees, the LTSB Brokerage Units, and the LTSB Banking Groups has each confirmed that the activities for which it is requesting relief will be conducted in the ordinary course of its businesses and in accordance with the applicable laws of the United Kingdom and other non-US laws.

The exemption is subject to the following conditions:

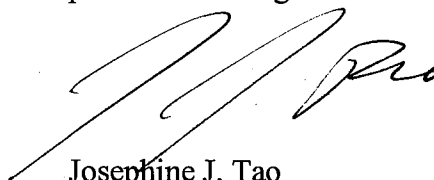
1. None of the transactions of the Companies described in your letter shall occur in the United States, with the exception of the unsolicited asset management activities of SWIP, LTSB Offshore Limited and LTSB Offshore Private Client Limited described in your letter;
2. All of the transactions described in your letter shall be effected in the ordinary course of business and not for the purpose of facilitating the Transaction;
3. Each offer document distributed to US holders will disclose the possibility of, or the intention to make, the transactions described in you letter;
4. LTSB and each of the Companies will provide to the Division of Trading and Markets ("Division"), upon request, a time-sequenced schedule of all such transactions made during the Restricted Period. Such schedule will include:
 - (a) size, broker (if any), time of execution, and price of the transactions;
 - (b) the exchange, quotation system, or other facility through which the transactions occurred, and
 - (c) whether the transactions were made for a customer account of a proprietary account;

5. Upon request of the Division, LTSB and each of the Companies will transmit the information requested in item 4 (above) to the Division at its offices in Washington DC within 30 days of its request;
6. LTSB and each of the Companies shall retain all documents and other information required to be maintained pursuant to this exemption for at least two years following the completion of the Transaction;
7. Representatives of LTSB and each of the Companies shall be made available (in person at the offices of the Commission in Washington, DC or by telephone) to respond to inquiries of the Division relating to their records; and
8. Except as otherwise exempted by this letter, LTSB and each of the Companies will comply with Regulation M.

The foregoing exemption from Rule 102 of Regulation M is based solely on your representations and the facts presented to the Staff and is strictly limited to the application of this rule to the proposed transactions. Such transactions should be discontinued, pending presentation of the facts for our consideration, in the event that any material change occurs with respect to any of those facts or representations.

In addition, your attention is directed to the anti-fraud and anti-manipulation provisions of the Exchange Act, including Sections 9(a) and 10(b), and Rule 10b-5 thereunder. Responsibility for compliance with these and any other applicable provisions of the federal securities laws must rest with the participants in the various transactions. The Division expresses no view with respect to any other questions that the proposed transactions may raise, including, but not limited to, the adequacy of disclosure concerning, and the applicability of any other federal or state laws to, the proposed transactions.

For the Commission,
by the Division of Trading and Markets,
pursuant to delegated authority,



Josephine J. Tao
Assistant Director

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Linklaters LLP
One Silk Street
London EC2Y 8HQ
Telephone (+44) 20 7456 2000
Facsimile (+44) 20 7456 2222
DX Box Number 10 CDE

Josephine J. Tao
Assistant Director
Division of Trading and Markets
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

October 21, 2008

Re: Lloyds TSB Group plc – Request for Exemptive Relief from Rule 102 of Regulation M

Dear Ms. Tao:

We are writing on behalf of our client, Lloyds TSB Group plc, a public limited company organized under the laws of the United Kingdom and registered in Scotland ("**LTSB**"), about the application of Regulation M ("**Regulation M**") under the Securities Exchange Act of 1934 (the "**Exchange Act**") to transactions by LTSB and its affiliates in the ordinary shares of LTSB (the "**LTSB Ordinary Shares**"), and the American Depositary Shares, each representing the right to receive four LTSB Ordinary Shares ("**LTSB ADSs**"). The request for relief relates to (i) the distribution of LTSB Ordinary Shares and LTSB ADSs to be made by LTSB to holders of ordinary shares ("**HBOS Ordinary Shares**") and holders of American Depositary Shares ("**HBOS ADSs**"), respectively, of HBOS plc, a public limited company organized under the laws of the United Kingdom and registered in Scotland ("**HBOS**"), in connection with the proposed acquisition of the entire issued and to be issued share capital of HBOS by LTSB (the "**Acquisition**") and (ii) the distribution of LTSB Ordinary Shares (the "**Placing**") and preference shares (the "**Preference Shares**") of LTSB to the United Kingdom Treasury ("**HM Treasury**") through a preference share subscription (the "**Preference Share Subscription**") as part of a capital raising, which includes the opportunity for eligible existing LTSB Shareholders to "claw back" their proportionate entitlement to these new shares (the "**Open Offer**"). The Acquisition, the Placing, the Open Offer and the Preference Share Subscription are collectively referred to herein as the "**Transaction**" and are described in greater detail under the heading "The Transaction".

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Please refer to www.linklaters.com/regulation for important information on our regulatory position.

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Specifically, on behalf of LTSB, we ask the Staff (the “**Staff**”) of the Securities and Exchange Commission (the “**Commission**”) to grant LTSB and its affiliates exemptive relief from Rule 102 of Regulation M to permit them to continue, in the ordinary course of business as described below and in accordance with applicable local law, to engage in the following activities during the Transaction distribution:

- **Derivatives Transactions, including Hedging:** LTSB enters into derivatives transactions for the accounts of its customers on an agency basis and for its own account primarily for the purpose of hedging positions (or adjusting or liquidating existing hedge positions) or efficient portfolio management and, as such, may issue, buy and sell derivatives and other structured products relating to LTSB Ordinary Shares and LTSB ADSs or to baskets or indices including LTSB Ordinary Shares and LTSB ADSs, as well as (largely FTSE 100) futures on the foregoing on recognized or over-the-counter markets. These derivatives transactions are conducted through LTSB’s Products and Markets Group (the “**LTSB Products and Markets Group**”) and Scottish Widows Investment Partnership Limited, a limited company organized under the laws of the United Kingdom (“**SWIP**” and, together with the LTSB Products and Markets Group, the “**LTSB Derivatives Business Units**”).¹ The exposure to LTSB Ordinary Shares and LTSB ADSs from these derivative transactions amounted to less than 3.5% of the average daily trading volume (the “**ADTV**”) on all exchanges in LTSB Ordinary Shares (including LTSB ADSs) during the twelve-month period ended September 30, 2008. The LTSB Derivatives Business Units engage in their market activities solely in the ordinary course of business and not in contemplation of the Transaction.
- **Trading by Asset Managers:** Lloyds TSB Private Banking Limited, a limited company organized under the laws of the United Kingdom, Lloyds TSB Bank plc, a public limited company organized under the laws of the United Kingdom, and certain of its subsidiaries (including Lloyds TSB Offshore Limited and Lloyds TSB Offshore Private Client Limited), SWIP and Lloyds TSB Investments Ltd, a limited company organized under the laws of the United Kingdom (together, the “**LTSB Asset Managers**”), manage the assets of a range of internal and external clients, such as mutual funds, pension funds, unregulated collective investment schemes (being a fund of hedge funds, a fund of private equity funds, a fund of property funds and individual private equity funds) and separate account investor portfolios (such funds and investor portfolios, the “**LTSB Managed Funds**”). As part of their ordinary investment management activities on behalf of the LTSB Managed Funds, the LTSB Asset Managers buy and sell LTSB Ordinary Shares and LTSB ADSs for the LTSB Managed Funds’ accounts. The LTSB Asset Managers also may make investments in collective funds or indices that indirectly include LTSB Ordinary Shares and LTSB ADSs or include derivatives of LTSB Ordinary Shares and LTSB ADSs, as discussed above. The asset management activities of the LTSB Asset Managers amounted to approximately 1% of the worldwide ADTV in LTSB Ordinary Shares (including LTSB ADSs) during the twelve-month period ended September 30, 2008. The foregoing

¹ The LTSB Products and Markets Group is a business unit within LTSB. SWIP is a wholly owned subsidiary of LTSB and primarily engages in fund management activities on behalf of a range of internal and external clients including LTSB’s retail life, pensions and investment products. No derivatives trading or hedging activities relating to LTSB Ordinary Shares are carried out by affiliates or business units of LTSB other than the LTSB Derivatives Business Units and the vast majority of the derivatives trading and hedging activities described herein are conducted in the United Kingdom. Such activities are in any event conducted solely outside the United States.

asset management activities are conducted by Lloyds TSB Private Banking Limited and LTSB Investments Ltd solely outside of the United States and by Lloyds TSB Bank plc and certain of its subsidiaries and SWIP primarily, but not exclusively, outside of the United States. The LTSB Asset Managers engage in their market activities solely in the ordinary course of business and not in contemplation of the Transaction.

- **Trading by Insurance Companies:** In the ordinary course of business, Scottish Widows plc, a public limited company organized under the laws of the United Kingdom, and its authorized subsidiaries and Lloyds TSB General Insurance Limited (the "**LTSB Insurance Companies**") sell insurance and reinsurance products requiring the insurer to invest the premiums paid by the purchaser of the policies in equities and other investments. While no direct investments are made in LTSB Ordinary Shares or LTSB ADSs, investments may be made indirectly in funds or indices that include LTSB Ordinary Shares and/or LTSB ADSs. A number of the LTSB Insurance Companies provide investment advice with respect to their range of investment products. The market activities of the LTSB Insurance Companies described herein are conducted solely outside of the United States. The LTSB Insurance Companies engage in their market activities solely in the ordinary course of business and not in contemplation of the Transaction.
- **Trading by Trustees and Personal Representatives of Estates:** Lloyds TSB Bank plc, which delegates trading authority to Lloyds TSB Private Banking Limited in this regard, and certain of its subsidiaries (together, the "**LTSB Trustees and Personal Representatives**"), act as trustee, executor and/or personal representative of testamentary, inter vivos and charitable trusts, as well as estates (the "**LTSB Trusts and Estates**"). As part of their responsibilities, the LTSB Trustees and Personal Representatives purchase and sell LTSB Ordinary Shares and LTSB ADSs, both directly and indirectly as part of collective investment schemes, for the accounts of the LTSB Trusts and Estates. The activities of the LTSB Trustees and Personal Representatives historically have represented a small proportion of all trading in LTSB Ordinary Shares, and for the twelve-month period ended September 30, 2008, the ADTV of LTSB Ordinary Shares (including LTSB ADSs) traded pursuant to these activities represented less than 1% of the worldwide ADTV of LTSB Ordinary Shares (including LTSB ADSs). The market activities of the LTSB Trustees and Personal Representatives described herein are conducted solely outside of the United States. The LTSB Trustees and Personal Representatives engage in their market activities solely in the ordinary course of business and not in contemplation of the Transaction.
- **Collateral Taking:** Lloyds TSB Bank plc and certain of its subsidiaries and Lloyds TSB Private Banking Limited (the "**LTSB Collateral Taking Units**"), accept LTSB Ordinary Shares and LTSB ADSs as collateral for loans they extend to their respective customers. In the event that the borrower defaults on a loan, the LTSB Collateral Taking Units may foreclose on the collateral and in some circumstances dispose of it, including by selling it in the market. The market activities of the LTSB Collateral Taking Units are conducted primarily in the United Kingdom and solely outside of the United States. To the extent the LTSB Collateral Taking Units engage in trading of LTSB Ordinary Shares or LTSB ADSs this activity would be solely in the ordinary course of business and not in contemplation of the Transaction.

- **Banking Related Activities:** In connection with their retail and commercial banking services, certain LTSB affiliates including Lloyds TSB Bank plc and certain of its subsidiaries, Lloyds TSB Private Banking Limited, Lloyds TSB Scotland plc, a public limited company organized under the laws of the United Kingdom, Scottish Widows Bank plc, a public limited company organized under the laws of the United Kingdom, and Lloyds TSB Independent Financial Advisors Limited, a limited company organized under the laws of the United Kingdom, (the “**LTSB Banking Groups**”) engage in the marketing and sale to banking customers of investment products, including investments in funds such as unit trusts and open-ended investment companies, which may include LTSB Ordinary Shares and/or LTSB ADSs. In addition, the LTSB Banking Groups provide a range of banking services, investment advice and financial planning guidance to banking customers, and this advice and guidance may include information which would assist customers in determining whether to purchase or sell LTSB Ordinary Shares or LTSB ADSs or investment products that may include LTSB Ordinary Shares or LTSB ADSs or baskets or indices including LTSB Ordinary Shares or LTSB ADSs. The purchase and sales of LTSB Ordinary Shares or LTSB ADSs which may be deemed to result from these market activities may occur on any of a number of exchanges or in over-the-counter markets around the world. The activities of the LTSB Banking Groups described herein are conducted primarily in the United Kingdom and outside of the United States. The LTSB Banking Groups engage in their market activities solely in the ordinary course of business and not in contemplation of the Transaction.
- **Trading Pursuant to Employee Share Plans:** Equiniti Share Plan Trustees Limited, a limited company organized under the laws of the United Kingdom (the “**LTSB Shareplan Trustee**”), in its capacity as trustee of the LTSB employee share incentive plan (the “**LTSB Shareplan**”), purchases LTSB Ordinary Shares on behalf of participating LTSB employees pursuant to the rules of the LTSB Shareplan. The LTSB Shareplan Trustee may also sell LTSB Ordinary Shares on behalf of such employees. In addition, Lloyds TSB Offshore Trust Company Limited, a limited company organized under the laws of Jersey (the “**LTSB ESOT Trustee**”, and together with the LTSB Shareplan Trustee, the “**LTSB Employee Share Plan Trustees**”), in its capacity as trustee of the LTSB Employee Share Ownership Trust (the “**LTSB ESOT**”), purchases and/or subscribes for LTSB Ordinary Shares for delivery to LTSB employees participating in any other employee share plans operated by LTSB (the “**LTSB Employee Share Plans**”) in accordance with the rules of such plans and at the recommendation or request of LTSB. Under the rules of the LTSB ESOT, the LTSB ESOT Trustee may acquire, hold and dispose of any property to be held under the LTSB ESOT (including LTSB Ordinary Shares) and enter into any contract or incur any obligation in respect of such property. The market activities of the LTSB Employee Share Plan Trustees are conducted solely outside of the United States and primarily in the United Kingdom either through the facilities of the London Stock Exchange (“**LSE**”), in over-the-counter transactions or by direct issuance from LTSB. The LTSB Employee Share Plan Trustees engage in their market activities solely in the ordinary course of business and not in contemplation of the Transaction.
- **Unsolicited Brokerage Activities:** LTSB, Lloyds TSB Bank plc, certain of its subsidiaries and Lloyds TSB Private Banking Limited (the “**LTSB Brokerage Units**”)

effect unsolicited brokerage transactions in LTSB Ordinary Shares by placing orders on the LSE through Talos Securities Ltd. ("**Talos**"), a non-LTSB affiliated brokerage group that operates as a subsidiary of Société Générale Securities Services. These transactions arise from unsolicited buy or sell orders received by the LTSB Brokerage Units from their respective customers. The unsolicited brokerage activities of the LTSB Brokerage Units are conducted solely outside of the United States and primarily in the United Kingdom through the facilities of the LSE and these activities amounted to less than 1% of the worldwide ADTV in LTSB Ordinary Shares (including LTSB ADSs) during the twelve-month period ended September 30, 2008. The LTSB Brokerage Units engage in their market activities solely in the ordinary course of business and not in contemplation of the Transaction.

The availability of the exemptions LTSB is requesting would be conditioned on the disclosure and record-keeping undertakings outlined below.

Linklaters LLP is acting as US counsel to LTSB. LTSB has provided and authorized Linklaters LLP to make on its behalf the factual representations set forth in this letter. The statements contained in this letter with respect to UK regulation have been reviewed by Linklaters LLP, UK counsel to LTSB.

1 The Market for LTSB Ordinary Shares

The principal trading market for the LTSB Ordinary Shares is the United Kingdom. The LTSB Ordinary Shares are listed on the LSE. The LTSB Ordinary Shares are also listed on the New York Stock Exchange (the "**NYSE**") in the form of LTSB ADSs. Each LTSB ADS represents four LTSB Ordinary Shares and is evidenced by an American Depositary Receipt issued by the Bank of New York, as Depositary. LTSB is a foreign private issuer as defined in Rule 3b-4(c) under the Exchange Act and is subject to the information reporting requirements of the Exchange Act.

As of September 30, 2008, 5,972,710,023 LTSB Ordinary Shares were issued and outstanding, held by 817,541 record holders. Approximately 98.7% of the outstanding LTSB Ordinary Shares were held of record by residents of the United Kingdom, and approximately 1.3% of the outstanding LTSB Ordinary Shares were held of record by non-residents of the United Kingdom.

LTSB's market capitalization at September 30, 2008 was approximately £13,528 billion or \$24,085 billion.² During the twelve-month period ended September 30, 2008, the worldwide ADTV of LTSB Ordinary Shares was approximately 76.2 million shares, with a value of approximately £319 million or \$568 million. During the twelve-month period ended September 30, 2008, the ADTVs of LTSB Ordinary Shares on the LSE and the European over-the-counter trading platforms BOAT and Chi-X were approximately 52.3 million shares and 21.1 million shares, with a value of approximately £224 million or \$399 million and £82.6 million or \$147 million, respectively. This represents approximately 96.3% of the worldwide ADTV in the LTSB Ordinary Shares during such period.

LTSB ADSs were first listed on the NYSE in November 2001. During the twelve-month period ended September 30, 2008, the ADTV of LTSB ADSs on the NYSE was approximately 692,875 LTSB ADSs, which represent 2,771,500 LTSB Ordinary Shares, with a value of approximately £13 million or \$23 million. This represents approximately 3.6% of worldwide ADTV in the LTSB Ordinary Shares (including LTSB Ordinary Shares represented by LTSB ADSs) during such period.

² Throughout this letter, pounds sterling rates as of a specified date have been translated to dollars at the rate of 1.7804, the noon buying rate in New York City published by the Federal Reserve Bank of New York on September 30, 2008.

The LSE provides for trading in equities and bonds principally through three main trading platforms: (i) the Stock Exchange Electronic Trading System (“**SETS**”), (ii) SETS Market Maker (“**SETSm**”) and (iii) the Stock Exchange Automated Quotation (“**SEAQ**”). SETS is the central limit order book that directly matches willing buyers and sellers on a price/time priority basis, creating efficiencies in the markets by eliminating the need for a wholesaler. As an electronic order book, SETS can execute hundreds of trades in one second. Securities traded on SETS include the FTSE 100 and the most liquid FTSE UK AIM50 securities. SETSm is the LSE’s trading service for Mid Cap, Small Cap and FTSE UK AIM50 securities. SEAQ is the LSE service for less liquid securities and most Alternative Investment Market securities.

As of September 30, 2008, the market capitalization of UK and international companies on the LSE’s markets amounted to £1,506,676.2 million, or \$2,682,486.3 million, with £7,912,041.8 million, or \$14,086,599.2 million, of equity business transacted over the prior twelve-month period. As of September 30, 2008, there were 2,706 listed companies on the LSE. The primary market index is the FTSE 100, which is comprised of 100 of the largest companies with primary listings on the LSE, including LTSB. The LTSB Ordinary Shares are a significant component of the FTSE 100. The LTSB Ordinary Shares comprised 1.13% of the FTSE 100 as of September 30, 2008.³

2 LTSB’s Market Activities

LTSB is a leading UK-based financial services group, whose businesses provide a wide range of banking and financial services in the UK and a number of locations overseas. LTSB is regulated and licensed under the Financial Services and Markets Act 2000 (the “**FSMA**”) and the Financial Services Authority (the “**FSA**”) in the United Kingdom, and its branches in the United States are subject to applicable US bank regulations, among other laws and regulations. LTSB has confirmed that the activities described below, for which it is requesting relief, are permitted under, and would be conducted in accordance with, applicable UK law in relation to the Transaction and other laws.

Each of the LTSB Derivatives Business Units, the LTSB Asset Managers, the LTSB Insurance Companies, the LTSB Trustees and Personal Representatives, the LTSB Collateral Taking Units, the LTSB Banking Groups, the LTSB Employee Share Plan Trustees and the LTSB Brokerage Units have confirmed that the activities for which it is requesting relief will be conducted in the ordinary course of its business and in accordance with the applicable laws of the United Kingdom and other laws.

Derivatives Transactions, including Hedging. LTSB conducts its derivatives and hedging activities principally from London through the LTSB Derivatives Business Units. LTSB may issue, buy and sell derivatives and other structured products relating to LTSB Ordinary Shares or LTSB ADSs or to baskets or indices including LTSB Ordinary Shares or LTSB ADSs, as well as (largely FTSE 100) futures on the foregoing, on recognized or over-the-counter markets, solely outside the United States and primarily in the United Kingdom. The LTSB Derivatives Business Units engage in these derivatives activities for the accounts of LTSB’s customers on an agency basis and for their own account primarily for the purpose of hedging positions (or adjusting or liquidating existing hedge positions) and for efficient portfolio management.⁴ The LTSB Products and Markets Group occasionally enters into OTC equity derivatives for its own account and, very rarely, on behalf of clients for hedging purposes. These latter derivatives transactions may, upon specific client

³ LTSB will issue additional LTSB Ordinary Shares and LTSB ADSs in the Acquisition and LTSB Ordinary Shares in the Placing and the Open Offer as described below under the heading “The Transaction”.

⁴ The customers for such derivatives may include US as well as non-US based customers.

request, include options in relation to LTSB Ordinary Shares or LTSB ADSs. The exposure to LTSB Ordinary Shares and LTSB ADSs from the derivative transactions discussed above amounted to less than 3.5% of the worldwide ADTV in LTSB Ordinary Shares (including LTSB ADSs) during the twelve-month period ended September 30, 2008. The LTSB Derivatives Business Units engage in their market activities solely in the ordinary course of business and not in contemplation of the Transaction.

Trading by Asset Managers. As part of their investment management activities, the LTSB Asset Managers buy and sell LTSB Ordinary Shares and LTSB ADSs for the LTSB Managed Funds in LTSB's accounts. Under English law and other applicable national laws, and subject to the terms of any contractual arrangements as in effect from time to time between the relevant LTSB Asset Manager and the relevant LTSB Managed Fund, the LTSB Asset Managers have a fiduciary or similar duty to oversee the LTSB Managed Funds in a manner that is in the best interests of the investors of those funds. Accordingly, the LTSB Asset Managers would be prohibited by law from following a discretionary LTSB directive⁵ to cease trading LTSB Ordinary Shares or LTSB ADSs during the Regulation M restricted period for the Transaction (the "**Restricted Period**"), unless the LTSB Asset Managers believed that cessation of such trading was in the best interests of the LTSB Managed Funds of LTSB's beneficiaries. Similarly, the LTSB Asset Managers would be prohibited by law from following a discretionary LTSB directive to bid for or purchase LTSB Ordinary Shares or LTSB ADSs unless the LTSB Asset Managers independently concluded that such bids or purchases were in the best interests of the LTSB Managed Funds of LTSB's beneficiaries.⁶

The LTSB Asset Managers engage in their market activities solely in the ordinary course of business and not in contemplation of the Transaction. These market activities are conducted through the facilities of recognized exchanges and over-the-counter markets primarily in the United Kingdom, Europe and the United States, and also on a global basis, as appropriate for LTSB's clients. The asset management activities of the LTSB Asset Managers amounted to approximately 1% of the worldwide ADTV in LTSB Ordinary Shares (including LTSB ADSs) during the twelve-month period ended September 30, 2008. The only LTSB Asset Managers that conduct their market activities in the United States are SWIP, Lloyds TSB Offshore Limited, a Jersey limited company, and Lloyds TSB Offshore Private Client Limited, a Jersey limited company, all of which are registered with, and subject to the supervision and regulation of, the Commission. SWIP⁷ and Lloyds TSB Offshore Private Client Limited are also registered with the Commission as Investment Advisers.⁸

⁵ As used here, "discretionary LTSB directive" refers to a directive that LTSB delivers unilaterally and voluntarily and not one that it is required to deliver by operation of law in the UK or another jurisdiction, such as a stop notice pursuant to the UK's City Code on Takeovers and Mergers.

⁶ LTSB Asset Managers also delegate authority to non-group investment managers to manage defined portfolios on behalf of clients, which may invest in LTSB Ordinary Shares or LTSB ADSs. The non-group investment managers may also invest in non-group collective investment arrangements, which are not under the control of LTSB and which may buy and sell LTSB Ordinary Shares and LTSB ADSs. It would not be appropriate for LTSB to restrict the trading of non-group investment managers in LTSB Ordinary Shares and LTSB ADSs during the Restricted Period. Accordingly LTSB is not seeking relief from the Staff for these activities.

⁷ SWIP has a small number of institutional clients within the United States, none of which currently hold LTSB Ordinary Shares or LTSB ADSs or any derivatives thereof within their portfolios. SWIP does not anticipate that any of its current institutional clients in the United States will invest directly in LTSB Ordinary Shares or LTSB ADSs or any derivatives thereof through portfolios managed by SWIP. SWIP does not intend to solicit additional institutional clients in the United States except in the ordinary course of business and not in contemplation of the Transaction.

⁸ The LTSB Asset Managers have a small number of clients within the United States. The LTSB Asset Managers will only engage in unsolicited asset management activities in the ordinary course of business and not in contemplation of the Transaction.

Trading by Insurance Companies. The LTSB Insurance Companies purchase funds or indices that may include LTSB Ordinary Shares and LTSB ADSs in connection with investing premiums paid by their customers for certain policies. The LTSB Insurance Companies conduct these activities solely outside of the United States.

Under UK law, the LTSB Insurance Companies have a fiduciary or similar duty to the purchasers of such policies to oversee the investments with respect to those policies in a manner that is in the best interests of those purchasers. Accordingly, the LTSB Insurance Companies would be prohibited by law from following, with respect to certain of their policies, a discretionary LTSB directive to cease trading in funds or indices that included LTSB Ordinary Shares or LTSB ADSs during the Restricted Period, unless such a halt in trading were in the best interests of the purchasers of those policies. Similarly, the LTSB Insurance Companies would be prohibited by law from following a discretionary LTSB directive to trade in funds or indices that included LTSB Ordinary Shares or LTSB ADSs unless the LTSB Insurance Companies independently concluded that such bids or purchases were in the best interests of its insured under such policies.

The LTSB Insurance Companies engage in their market activities solely in the ordinary course of business and not in contemplation of the Transaction.

Trading by Trustees and Personal Representatives of Estates. The LTSB Trustees and Personal Representatives administer the LTSB Trusts and Estates, including through the investment of their assets. The LTSB Trustees and Personal Representatives generally have broad investment discretion over the assets, similar to the discretion of the LTSB Asset Managers with respect to the LTSB Managed Funds and, as with those LTSB Asset Managers, they have fiduciary or similar duties under applicable local laws to oversee the LTSB Trusts and Estates in a manner that is in the best interests of their beneficiaries.

The LTSB Trustees and Personal Representatives engage in the trading of LTSB Ordinary Shares and LTSB ADSs solely in the ordinary course of business and not in contemplation of the Transaction. The activities of the LTSB Trustees and Personal Representatives historically have represented a small proportion of all trading in LTSB Ordinary Shares, and for the twelve-month period ended September 30, 2008, the ADTV of LTSB Ordinary Shares (including LTSB ADSs) traded pursuant to these activities represented less than 1% of the worldwide ADTV of LTSB Ordinary Shares (including LTSB ADSs). The market activities of the LTSB Trustees and Personal Representatives are conducted solely outside of the United States.

Collateral Taking. The LTSB Collateral Taking Units accept various forms of security, including LTSB Ordinary Shares and LTSB ADSs, as collateral for loans made by those units. These loans are generally made either in connection with margin trading or as part of LTSB retail and commercial banking activities. In the event that a borrower defaults on a loan, the LTSB Collateral Taking Units may foreclose on the collateral and in some circumstances dispose of it, including by selling it in the market. To the extent the LTSB Collateral Taking Units engage in the trading of LTSB Ordinary Shares or LTSB ADSs, this activity would be solely in the ordinary course of business and not in contemplation of the Transaction. These market activities are conducted solely outside of the United States.

Banking Related Activities. The LTSB Banking Groups provide a number of banking services to retail and commercial customers. These services include the marketing and sale to banking customers of investment products which may include LTSB Ordinary Shares or LTSB ADSs, including investments in funds such as unit trusts and open-ended investment companies. In addition, the LTSB Banking Groups provide a range of banking services, investment advice and

financial planning guidance to banking customers, and this advice and guidance may include information which would assist customers in determining whether to purchase or sell LTSB Ordinary Shares or LTSB ADSs or investment products that may include LTSB Ordinary Shares or LTSB ADSs or baskets or indices including LTSB Ordinary Shares or LTSB ADSs. Some of these funds are managed by LTSB affiliates who are LTSB Asset Managers, while others are managed by third-party fund managers. Most funds marketed and sold by the LTSB Banking Groups comply with the requirements set forth in the European Union's Council Directive 85/61 I/EEC, commonly known as the "**UCITS Directive**". The UCITS Directive provides, among other things, that no security included in a fund may represent more than 5% of the fund's assets (although Member States may raise this limit to 10%, provided that securities which represent more than 5% of the fund's assets do not in aggregate represent more than 40% of the fund's assets). A limited number of funds are "Non-UCITS Retail Schemes", or "**NURS**". NURS are subject to similar restrictions as UCITS-compliant funds, although NURS may invest up to 10% of their assets in the securities of the single issuer.

The LTSB Banking Groups provide investment advice and financial planning guidance to their customers and, unlike LTSB Asset Managers, the LTSB Banking Groups are not necessarily bound by fiduciary or similar duties or specific contractual obligations in giving this advice and guidance. However, LTSB's wealth management and financial advisory divisions have enacted internal policies and procedures which prohibit them from making a recommendation to customers as to whether they should purchase or sell LTSB Ordinary Shares or LTSB ADSs. The LTSB Banking Groups provide only objective information about LTSB Ordinary Shares and LTSB ADSs and/or a summary of the views of a fixed group of research analysts who publish information about LTSB.

The LTSB Banking Groups engage in the foregoing activities solely in the ordinary course of business and not in contemplation of the Transaction. These activities are conducted primarily in the United Kingdom and outside the United States.⁹ The purchase and sale of LTSB Ordinary Shares or LTSB ADSs which may be deemed to result from the LTSB Banking Group's market activities may occur on any of a number of exchanges or in over-the-counter transactions around the world.

Trading Pursuant to Employee Share Plans. Certain employees of LTSB who are resident in the United Kingdom are eligible to participate in the LTSB Shareplan. Participation allows an employee to receive LTSB Ordinary Shares (1) in exchange for a portion of the employee's monthly salary, (2) as awards and (3) in exchange for dividend payments on LTSB Ordinary Shares received pursuant to (1) or (2). In order to effect the acquisition of LTSB Ordinary Shares for participating employees pursuant to the rules of the LTSB Shareplan, the LTSB Shareplan Trustee purchases LTSB Ordinary Shares in the secondary market. At the request of an employee under certain circumstances, or in order to satisfy a participating employee's tax liability under the LTSB Shareplan, the LTSB Shareplan Trustee may also sell LTSB Ordinary Shares in the employee's account.

In addition, the LTSB ESOT Trustee purchases and/or subscribes for LTSB Ordinary Shares for delivery to LTSB employees participating in the LTSB Employee Share Plans in accordance with the rules of such plans and at the recommendation or request of LTSB. Under the rules of the

⁹ The LTSB Banking Groups have international operations and a global client base. From time to time, a client may relocate to the United States and, in this event, the LTSB Banking Groups either exit the particular client relationship or transfer it to Lloyds TSB Offshore Private Client Limited, SWIP or another LTSB entity regulated in the United States as described herein. Such banking related activities in the United States historically have represented a very small proportion of all trading in LTSB Ordinary Shares and LTSB believes these activities will not have a significant effect on the market price of LTSB Ordinary Shares.

