

HBOS plc  
7 October 2008

## **HBOS PLC ANNOUNCES THE SALE OF BANK OF WESTERN AUSTRALIA AND ST ANDREW'S AUSTRALIA**

HBOS Australia Pty Ltd ("HBOSA"), a wholly owned subsidiary of HBOS plc ("HBOS" or the "Group"), has agreed the sale of part of HBOS's Australian Operations, namely Bank of Western Australia Ltd ("BankWest") and St Andrew's Australia Pty Ltd ("St Andrew's"), to Commonwealth Bank of Australia Limited ("CBA") for the equivalent of approximately A\$2.5 billion (£1.2 billion). The businesses sold comprise the Group's Australian retail and business banking operations as well as its insurance and wealth management businesses. In addition to A\$2.1 billion (£1.0 billion) of cash consideration for the sale, HBOS will receive a return of excess capital in BankWest of approximately A\$360 million, together comprising A\$2.5 billion of proceeds. CBA will also redeem preferred shares issued to the Group equivalent to their par value of A\$530 million (£250 million).

BankWest and St Andrew's had combined statutory net income of A\$188 million (£79 million) in 2007. The transaction price represents a multiple of 13.1x 2007 statutory earnings. As at 31 August 2008, the total asset balance of these businesses was approximately A\$66 billion. The loss on sale is expected to be approximately £440 million, with £250 million of goodwill also written-off at Group level.

### ***Capital Accretive***

The transaction will be meaningfully capital accretive to HBOS and would have been 28 bps accretive to the Group's core tier one capital ratio as at 31 August 2008.

### ***Immediate and Substantial Funding Benefit***

Transaction completion will also result in an immediate and substantial funding benefit to HBOS of A\$17 billion (£8 billion), including the proceeds received, which will be repaid to the Group. The repayment at par of the A\$530 million preference shares and A\$1.0 billion of subordinated debt issued by BankWest to the Group is included in this figure.

### ***HBOS Retains Presence in Australia***

Following the sale, HBOS will retain a presence in Australia through Bank of Scotland International (Australia) Limited and Capital Finance Australia Limited which are engaged in corporate banking and asset finance activities respectively, together with the Bank of Scotland Treasury branch. HBOS will continue to manage these high quality niche businesses as part of the Group's international division.

Completion is subject to regulatory approvals, including the Australian Treasurer, the Australian Prudential Regulatory Authority and the Australian Competition and Consumer Commission and is expected to occur at the latest by December 2008.

Lloyds TSB Group plc has confirmed that it is supportive of this transaction.

Colin Matthew, Chief Executive of HBOS International, said:  
"The sale of BankWest and St Andrew's at this time is in the best interests of HBOS. This transaction will further enhance the group's capital position and reduce the group's wholesale funding requirements."

Morgan Stanley advised HBOS in relation to this transaction.

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**For further information:**

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Note

Exchange rates used in conversion are based on 31 August 2008, except for those relating to 2007 net income:

	Average for year ended 31 December 2007	As at 31 August 2008
£1 : Australian dollar	2.39	2.12

*Morgan Stanley is acting exclusively for HBOS as financial adviser and no one else in connection with the transaction and will not be responsible to anyone other than HBOS for providing the protections afforded to customers of Morgan Stanley nor for providing advice in relation to the transaction, or any matter referred to herein.*