



Comptroller of the Currency
Administrator of National Banks

Northeastern District
1114 Avenue of the Americas, Suite 3900
New York, New York 10036

November 6, 2003

**Conditional Approval #609
December 2003**

Hugh C. Conroy, Esq.
Sullivan & Cormwell LLP
125 Broad Street
New York, NY 10004

Re: Application by HBOS Treasury Services plc, London, England, to establish a Federal Branch
in New York, NY.
Application Control Number: 2003 IB 10 002

Dear Mr. Conroy:

The Office of the Comptroller of the Currency (OCC) has reviewed HBOS Treasury Services plc's (HBOSTS) application to establish a Federal branch with the title of HBOS Treasury Services plc to be located at 565 Fifth Avenue, New York, NY (hereinafter "the new branch"). On November 6, 2003, after a thorough evaluation of all data available to the OCC, we found that your proposal met the requirements for preliminary conditional approval.

This approval is granted based on a thorough review of all information available including the representations and commitments made in the application and by the foreign bank and HBOS plcs' (parent), representatives. The CED shall be maintained in a bank consistent with OCC regulations and pursuant to a letter-agreement in such form and containing such limitations and conditions as prescribed by the OCC.

On the basis of the facts of record and your representations and commitments, the OCC has approved the application subject to the following conditions:

1. In addition to compliance with other applicable requirements under U.S. law, HBOS plc and HBOSTS will make available to the OCC such information on the operations and activities of HBOS plc and HBOSTS and any of HBOS plc and HBOSTS's affiliates that the OCC deems necessary to determine and enforce compliance by HBOS plc and HBOSTS with applicable Federal laws. If the disclosure of any required information is prohibited by law or otherwise, HBOS plc and HBOSTS will cooperate with the OCC

including seeking timely waivers of or exemptions from any applicable confidentiality or secrecy restrictions or requirements in order to enable HBOS plc and HBOSTS to make any such information available to the OCC.

2. HBOS plc and HBOSTS consent to the jurisdiction of the Federal courts of the United States and of all United States government agencies, departments and divisions for purposes of any and all claims made by, proceedings initiated by, or obligations to, the United States, the Office of the Comptroller and any other United States government agency, department or division, in any matter arising under U. S. Law, as defined in their consents to jurisdiction made to the OCC. HBOS plc and HBOSTS shall maintain a registered agent in the U. S. to receive service of process and shall notify the OCC of any change in the designated registered agent.
3. HBOSTS: (i) shall give the OCC's New York Field Office at least sixty (60) days prior written notice of HBOSTS's intent that the new branch will significantly deviate or change from its business plan or operations and (ii) shall obtain the OCC's written determination of no objection before the branch either engages in any significant deviation or change from its business plan or operations.
4. HBOS plc and HBOSTS must comply with all understandings and commitments contained in any approval order issued by the Federal Reserve Board in connection with the proposed Federal branch.

The conditions of this approval are conditions "imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 U.S.C. § 1818. As such, the conditions are enforceable under 12 U.S.C. § 1818.

In connection with preliminary conditional approval to establish the new Federal branch, final approval will not be granted until the applicant has met the following procedural requirements and the OCC determines that the new branch is ready to commence operations.

- The new branch must have adequate fidelity insurance coverage.
- The new branch must open within eighteen (18) months of the date the OCC granted preliminary approval; otherwise, the approval is withdrawn.
- The new branch will maintain its accounts, books, and records as prescribed by 12 CFR 28 and in such a manner as to facilitate the complete and accurate presentation of financial statements and other reports in form and content as required by the OCC.

Management must ensure that the applicable policies and procedures (enclosed) are established and adopted by the board of directors before the new branch commences business. Also enclosed are standard requirements that must be met, as applicable, before the new branch will be allowed to commence business.

Please notify us at least 45 days prior to the date the new branch will open for business so that we may schedule a pre-opening examination and issue the license granting final approval to its establishment and operation. Please be advised the HBOSTS Federal Branch License number will be 80117 upon the branch's commencement of business.

The OCC poses no objection to the following persons serving as management as proposed in the applications.

- Adam Richard Ion, General Manager
- Martin Joseph Clifford, Head of Treasury
- Stephen Douglas Bedwell, Head of Finance and Operations

All other executive officers or directors are subject to the OCC's *prior* review and clearance. You are also reminded that for a period of two years after the branch is opened for business, the OCC must review and have no objection to any new executive officer or director *prior* to that person assuming such position.

This approval, and the activities and communications by OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

The OCC will send to you under separate cover an appropriate set of OCC handbooks, issuances, and other selected publications. The Comptroller's Licensing Manual can be located at www.occ.treas.gov/corpapps/corpapplic.htm.

If you have questions, please contact Senior Licensing Analyst Sandya Reddy at (212) 790-4055 or me at (202) 874-5060.

Sincerely,
/s/ Anthony DosSantos
Anthony DosSantos
Licensing Manager

Hugh C. Conroy, Esq.
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Enclosures: Standard Requirements
Minimum Policies and Procedures