



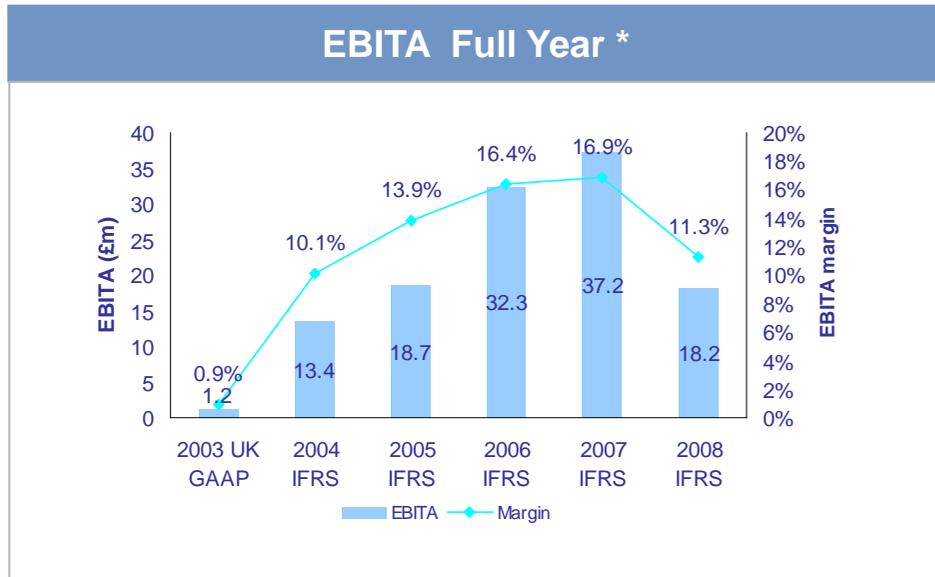
Proposed Acquisition of Halifax Estate Agencies Limited

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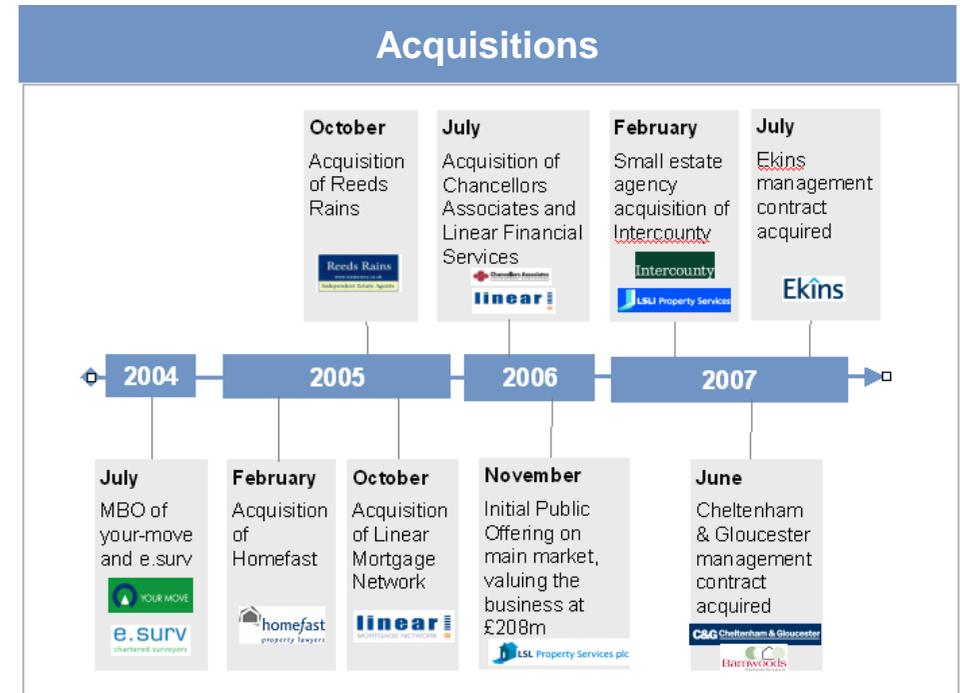
LSL is well placed to take advantage of consolidation opportunities and has a successful track record on integration

A track record of profitable growth



LSL is well positioned to take advantage of consolidation opportunities

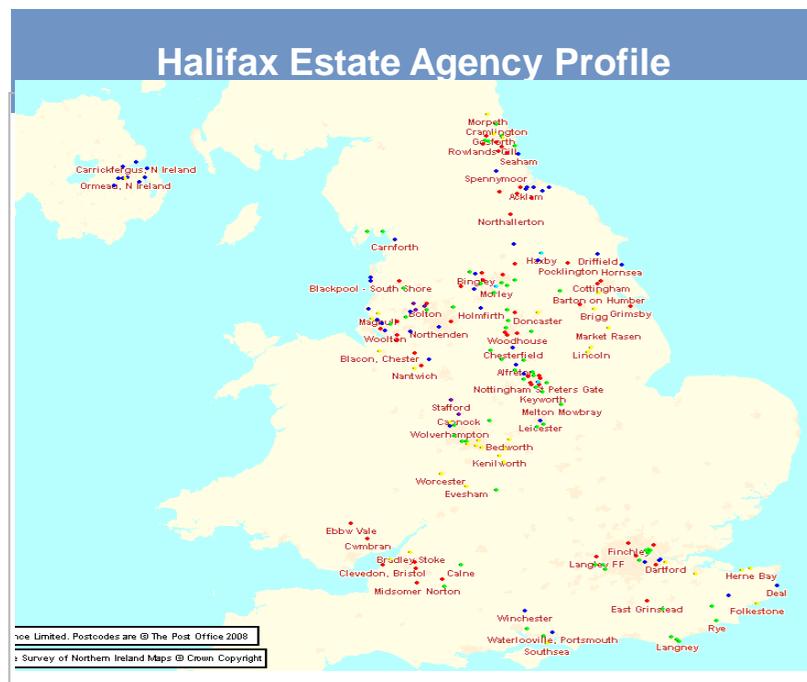
- LSL has proven its resilience through the worst housing market in the last 50 years
- H1 2009 profit up 17% to £10.9m despite the market
- At 30 June 2009 net debt reduced from £61.7m to £43.1m
- Current trading is running ahead of management expectations
- Net debt reduced by a further £2m at 31 August 2009



LSL's track record on acquisitions

- Successful acquisition and corporate transformation of Your Move from Aviva in July 2004 for £42m
- Acquisition and integration of Reeds Rains In October 2005 for £18m net cash
- Acquisition of C&G Surveyors (Barnwoods) in June 2007 for £30m
- TUPE transfer of Ekins Surveyors in July 2007

Profile and historical financial information : Halifax Estate Agencies Limited



- 4th largest estate agency network in the UK
- Comprising 125 owned branches, 93 franchise branches; including 31 branches with lettings
- Market leadership in Northern Ireland where LSL does not have a presence
- Incorporates a stand alone asset management business with a number of key lender clients including Lloyds Banking Group (LBG)

Financial Information

	2008	2007	2006
	£'000	£'000	£'000
Revenue	54,089	96,186	108,476
Operating loss before exceptional (costs)/income and share based payments	(51,108)	(24,610)	(23,693)
Exceptional (costs)/income	(4,463)	328	1,241
Share-based payment charge	(2,538)	(2,398)	(1,897)
Operating loss	(58,109)	(26,680)	(24,349)
Net finance income /(expense)	679	(1,285)	(1,165)
Profit/(loss) on sale of property, plant and equipment	144	22	(23)
Dividend income	974	1,065	0
Gain on sale of investments	54,156	56,900	16,720
Share of post tax profit of a joint venture	192	3,938	1,590
Profit/(loss) before tax	(1,964)	33,960	(7,227)

- Historically loss-making at the operating level
- Business run primarily for FS product distribution
- Profitability adversely affected by LBG corporate costs plus significant management and head office costs
- 2008 cost base included: £39.7m of LBG central recharges; £19.4m of head office and regional costs; and £4.4m of identified one offs.
- Following restructure we estimate running costs will be reduced by over £50m per annum

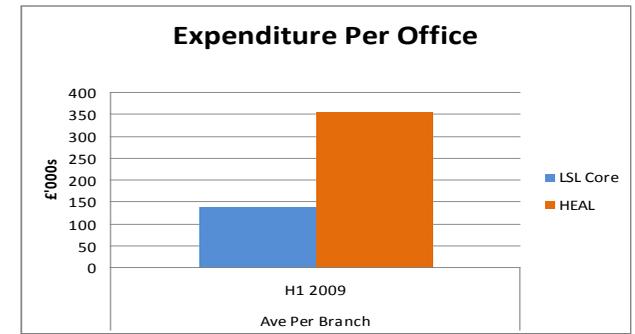
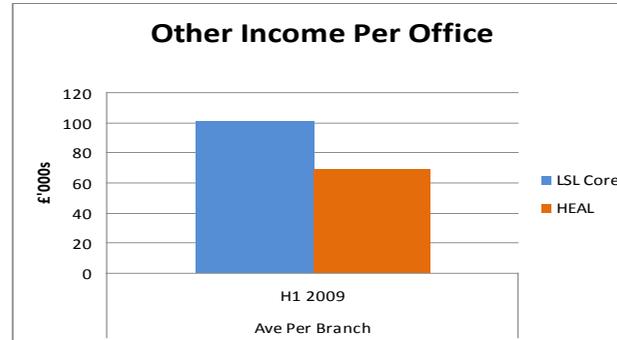
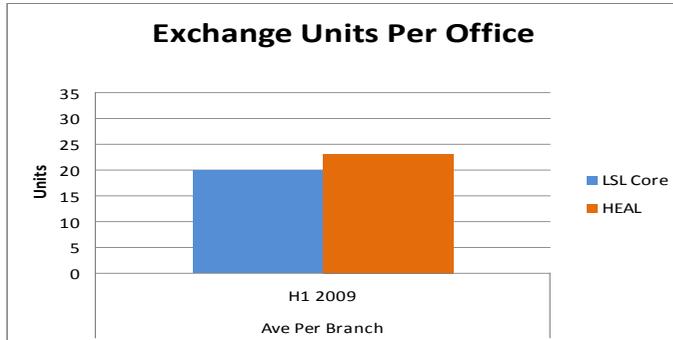
LSL strategic rationale

- An opportunity to acquire a high quality branch network, register of clients and pipeline of sales on favourable commercial terms.
- Includes an established asset management business with existing clients and a new three-year contract with Bank of Scotland, which includes:
 - ▶ 33% or 2,000 cases direct to LSL estate agency branches at a fee of 1.5%
 - ▶ 75% allocation of any work over 6,000 annualised cases estimated to be worth 4,000 cases per year to the new asset management business at a fee of 1.8%
- Acquisition includes the transfer of 130 mortgage advisors, who arranged over 8,000 cases in 2008. This will strengthen LSL's position within the mortgage market, bringing LSL up to second place in the directly employed UK mortgage advisors league table.
- The rebranding of HEAL offices to Your Move, Reeds Rains and InterCounty brands will strengthen LSL's estate agency position in local markets, increasing our leverage with suppliers, brand concentration and market share in existing locations.
- The acquisition will make LSL the second largest Estate Agent in the UK

Principal terms of the acquisition

- Acquisition of the entire share capital of HEAL from Bank of Scotland (BoS) for £1.
- A pro forma balance sheet which includes circa £38.4m of net current assets. This will include minimum cash of £22.2m which will cover restructuring costs, rebranding and additional working capital.
- Freehold property value estimated at £8m
- A new three-year asset management contract with Bank of Scotland worth circa £8m per annum, subject to service levels.
- TUPE transfer of employees from HBOS plc to LSL's operating subsidiaries.
- Agreement contains indemnities from BoS to protect LSL from liabilities including pensions, financial services mis-selling and non-operational premises.
- Completion is expected on 15 January 2010 with the restructuring of the business, rebranding the offices and integration of IT and our back office taking place over the three months following exchange of contracts.

Financial bridge - the rationale

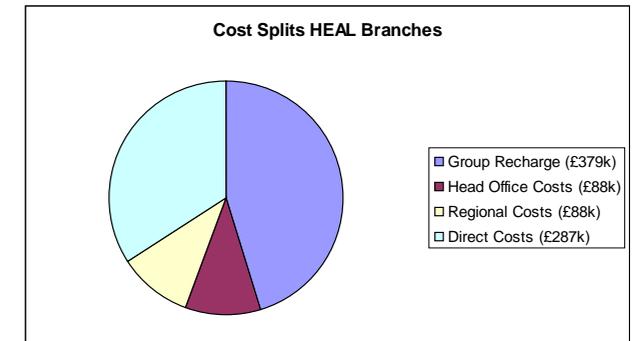


Sales Per Branch

- Halifax offices are performing as well as LSL's at branch level in terms of gross residential sales.
- The branch staff are professional, well trained and operate to the National Federation of Property Professionals Code.

Other Income

- LSL's other income, mainly General Insurance, lettings and asset management, is well ahead of HEAL's.
- The new asset management contract awarded to us by LBG will significantly narrow this gap.
- We intend to roll out LSL's lettings format to all HEAL branches throughout 2010.
- All General Insurance sales will move to a renewal basis on LSL platforms wef exchange.



Cost Base

- HEAL's cost base per branch is heavily impacted by recharges from LBG and by an expensive head office and regional structure
- LSL will migrate all HEAL offices on to our own network and cost base wef completion.

Current trading, trends and prospects

House Purchase Approvals



Total Mortgage Approvals



- Since 1 July 2009 the group has performed ahead of management's expectations against a backdrop of a slightly improving housing market
- H1 2009 housing transaction were slightly up on H2 2008, running at an annualised rate of 520,000.
- Since the half year, July and August running at an annualised rate of 720,000
- Remortgage volumes still depressed due to low interest rates and availability of higher LTV mortgage credits
- Net debt down by £2m to £41m at 31 August 2009.
- We remain cautious about the outlook for 2010

Summary

- Purchase of 218 estate agency branches for £1, making LSL the second largest estate agent in the UK
- A three year asset management contract with the largest lender in the UK
- Pro forma net assets of £38.4m and minimum cash of £22.2m to cover restructuring costs
- Management track record of turning around corporate estate agency businesses
- The acquisition will be cash positive in 2010 and earnings enhancing in 2011 assuming a modest market recovery
- Significant profit potential when the market recovers to more normal levels
 - ▶ Normal market – 1.2m housing transactions
 - ▶ LSL owned branches in 2007 delivered an average profit in excess of £40k per branch
- Completion expected 15th January 2010