

## OPERATING CONDITIONS - PART I

### DEFINITIONS

In this Agreement, the following words have the meaning set out opposite them and include the definitions set out in Part X of the Operating Conditions where any Facility includes Debtor Protection:

Definition	Meaning
“Advance Rate”	any percentage to be paid by us on account of the Purchase Price of each Approved Invoice specified in the Commercial Terms as varied in accordance with this Agreement from time to time.
“Advance”	the amount paid by us on account of the Purchase Price of each Approved Invoice, in the case of Invoice Discounting and Factoring Clients, calculated by applying the Advance Rate to such Invoice.
“Approved Currency”	any currency referred to in the Commercial Terms or any other currency which we may approve from time to time but excluding any currency which we give you notice is removed from this definition.
“Approval Limit”	any limit established by us and notified to you from time to time in relation to the maximum value of Invoices owing by some or all of your Customers expressed either as a fixed monetary amount or a percentage of all your Invoices outstanding from time to time.
“Approved Invoice”	all or part of any Notified Invoice not classified by us as Disapproved and “Approved” shall be construed accordingly.
“Approved Country”	any country referred to in the Commercial Terms or agreed by us from time to time but excluding any country which we give you notice is excluded from this category.
“Assignment”	includes an assignment or an assignation, as applicable.
“Associated Business”	any person or business which is owned or controlled by: <ol style="list-style-type: none"><li>1. you or your spouse/civil partner if you are a sole trader; or</li><li>2. any director, partner or shareholder of your business or spouse or partner of any of them; or</li><li>3. anyone who controls (or who can take control of) you; or</li><li>4. anyone you control (or you can take control of); or</li><li>5. any holding company.</li></ol>
“Audit”	any inspection of your books of account and/or other records by our employee/s or agent/s either pursuant to the undertakings given in condition 9.1.9 of Operating Conditions - Part II - Provisions relating to all Clients or otherwise.
“Availability”	the amount of any Invoice Discounting or Factoring available to you calculated as set out in condition 4.5 of the Operating Conditions - Part II - Provisions relating to all Clients.
“BACS”	the Bankers Automated Clearing System.

“Bank”	Lloyds Bank plc and its successors or assigns.
“Bank of Canada Overnight Lending Rate”	for Canadian Dollars (CAD), the Bank of Canada Overnight Lending Rate (or any rate at any time replacing that rate), which may be varied (either up or down) by the Bank of Canada at any time and if in any such case that the rate is less than 0%, the Bank of Canada Overnight Lending Rate shall be deemed to be 0% until such time as it exceeds 0%.
“Base Rate”	for Sterling (GBP), the bank rate from time to time of the Bank of England (or any rate at any time replacing that rate), which may be varied (either up or down) by the Bank of England at any time and if in any such case that the rate is less than 0%, Base Rate shall be deemed to be 0% until such time as it exceeds 0%.
“CHAPS”	same day payment of cleared funds through the Clearing House Automated System.
“Client”	at any time, a person to whom a Facility is made available.
“Collection Date”	in the case of any Invoice which is: <ol style="list-style-type: none"> <li>1. paid in cash: the date of receipt of the cash by us;</li> <li>2. paid by cheque or other instrument: the date on which funds representing the same are cleared by our bankers for interest;</li> <li>3. paid by BACS: the date on which funds are credited to our bank account;</li> <li>4. paid by CHAPS or Faster Payment: the Working Day after the day on which funds are credited to our bank account plus, in any case, any period specified in the Commercial Terms.</li> </ol>
“Commercial Terms”	the terms set out in the main body of the Agreement (other than the Operating Conditions) as varied, amended, supplemented or replaced from time to time.
“Confidential Invoice Discounting Facility”	a Facility provided on the terms of this Agreement where the applicable Operating Conditions include Parts I to III and VII, and where our interest in Invoices and Related Rights will not be disclosed to your customers, except in accordance with the terms of this agreement.
“Contract of Sale”	a contract in any form (including a purchase order) for the sale or hire of goods and/or provision of services to a Customer under which an Invoice arises.
“Counter Indemnity”	an indemnity provided by us to an Issuer in their preferred form for all monies, obligations and liabilities incurred under a Contingent Instrument.
“Currency Facility”	a Facility where we have agreed to pay for your Currency Invoices owing by a UK Customer.
“Currency Invoice”	any Invoice payable in an Approved Currency (other than Sterling).
“Current Account”	the account described in condition 4 of the Operating Conditions - Part II - Provisions relating to all Clients.

“Customer”	a person under a Contract of Sale obliged to pay you the Invoice and, where the context so permits, a prospective Customer.
“Danish Rate of Interest on Certificates Of Deposit”	for Danish Krone (DKK), the Danish Rate of Interest on Certificates Of Deposit (or any rate at any time replacing that rate), which may be varied (either up or down) by the Danish Central Bank at any time and if in such case that the rate is less than 0%, the Danish Rate of Interest on Certificates Of Deposit shall be deemed to be 0% until such time as it exceeds 0%.
“Debit Balance”	any debit balance on the Current Account.
“Debtor Protection”	the debtor protection described in Operating Conditions - Part X - Debtor Protection Conditions and provided by us in accordance with this Agreement.
“Delivered”	<p>in relation to Goods:</p> <ol style="list-style-type: none"> <li>1. physical delivery to (or to the order of) a Customer;</li> <li>2. the Customer taking the risk in the Goods;</li> <li>3. performance of the Contract of Sale;</li> </ol> <p>in relation to services: completed and “Deliver” and “Delivery” are to be construed accordingly.</p>
“Designated Person”	a person listed on the European Union's Consolidated List of Persons, Groups and Entities subject to EU Financial Sanctions, the Consolidated List of Financial Sanctions Targets issued by Her Majesty's Treasury of the United Kingdom, the Specially Designated Nationals and Blocked Persons list issued by the Office of Foreign Assets Controls of the US Department of Treasury or any similar list issued or maintained or made public by any Sanctions Authority, each as amended, supplemented or substituted from time to time.
“Disapproved Invoice”	all or part of any Invoice classified by us as disapproved in accordance with condition 2 of the Operating Conditions - Part II - Provisions relating to all Clients and ‘Disapproved’ is to be construed accordingly.
“Disclosed Invoice Discounting Facility”	a Facility provided on the terms of this Agreement where the applicable Operating Conditions include Parts I to III and VII, and where our interest in Invoices and Related Rights will be disclosed to your customers.
“Domestic Invoice”	an Invoice payable in Sterling arising from a Contract of Sale performed in UK, the invoice for which is addressed to a location in the UK.
“Data Protection Laws ”	all applicable laws relating to data protection, the processing of personal data and privacy, including the Data Protection Act 2018, the General Data Protection Regulation (EU) 2016/679, the Data Protection, Privacy and Electronic Communications (Amendments etc) (EU Exit) Regulations 2019 or any similar or replacement legislation relating to the processing of personal data.
“European Deposit Facility (EDF)”	for Euro (EUR), the European Deposit Facility (EDF) rate of the European Central Bank (or any rate at any time replacing that rate), which may be varied (either up or down) by the European Central Bank at any time and if in any such case that the rate is less than 0%, European Deposit Facility (EDF) shall be deemed to be 0% until such time as it exceeds 0%.
“Excluded Invoice”	an Invoice which has been assigned by the Client to a third party, as agreed in

	writing by the Bank.
“Export Facility”	a Facility pursuant to which we have agreed to purchase your Export Invoices.
“Export Invoice”	an Invoice which is: <ol style="list-style-type: none"> <li>1. addressed to a Customer in an Approved Country; and</li> <li>2. expressed either in an Approved Currency or Sterling.</li> </ol>
“Facility”	means any or all (as the context requires) of an Invoice Discounting Facility, Factoring Facility, Export and/or Currency Facility, or Debtor Protection Facility made available by us to you from time to time under the terms of this Agreement.
“Factoring Client”	at any time, a Client to whom a Factoring Facility is made available.
“Factoring Facility”	a Facility provided on the terms of this Agreement where the applicable Operating Conditions include Parts I, II, IV and VII.
“Faster Payment”	same day transmission of cleared funds as arranged by the payer with their bankers and accepted by the payee’s bankers.
“Federal Funds Target Rate (Upper Bound)”	for US Dollars (USD), the Federal Funds Target Rate (Upper Bound) of the Federal Reserve Bank of New York (or any rate at any time replacing that rate), which may be varied (either up or down) by the Federal Reserve Bank of New York at any time and if in any such case that the rate is less than 0%, the Federal Funds Target Rate (Upper Bound) shall be deemed to be 0% until such time as it exceeds 0%.
“Fees and Charges”	all those fees and charges to which we are entitled for providing any Facility (and any VAT thereon), including those detailed in Part VII.
“Goods”	any goods the subject of a Contract of Sale.
“Group”	Lloyds Banking Group plc and all its associated companies. For these purposes “associated companies” includes Lloyds Banking Group plc and any subsidiary, affiliate, and related company or other firm directly or indirectly controlled from time to time by the Lloyds Banking Group plc.
“Guarantor”	means any person who provides a guarantee or indemnity to us in respect of your Obligations under this Agreement.
“HIBOR”	in relation to each calculation period agreed by us by reference to which a rate is to be set for the charging of the Discount Charge, the Hong Kong Interbank Offered Rate for Hong Kong Dollars displayed on page HIHD03M of the Bloomberg screen (or any replacement Bloomberg page which displays that rate) on the first day of such calculation period, for the duration of that calculation period (the “HKD Screen Rate”) and if the HKD Screen Rate is less than 0%, it shall be deemed to be 0%.
“Insolvency” or “Insolvent”	in relation to a company, partnership or limited liability partnership: <ol style="list-style-type: none"> <li>1. the presentation of a petition to wind it up or the making of a winding up order;</li> <li>2. the passing of a resolution to wind it up or the giving of notice by any person seeking a decision of creditors for the purpose of considering</li> </ol>

the same;

3. the appointment of or the making of an application to court to appoint, an administrator to it;
4. the passing of a resolution for its dissolution;
5. its members, directors or creditors resolving or making a decision to take any steps to effect any of the above;
6. the giving of notice by any person to us and/or the filing at court of any notice of an intention to appoint an administrator, interim manager or liquidator to it;

in relation to a company or a limited liability partnership:

1. the taking of any steps towards or the coming into force of a moratorium under the Insolvency Act 1986;
2. the taking of any steps by any person to strike it off the register of companies;

in relation to an individual or a partnership established in Scotland:

1. the presentation of a petition (whether by the individual, his creditors or any other person) or the issue of a debtor's application for sequestration of his estate or appointment of a Trustee in Sequestration to, that individual (and where that individual is in partnership with others the partnership will be treated as Insolvent on the presentation of such a petition or the issuing of such a debtor's application in respect of the partnership and/or any of the individual partners);
2. the granting a trust deed for the benefit of his and/or its creditors;
3. the entry into of any compromise or arrangement with his and/or its creditors or any of them including without prejudice to the generality of the foregoing any debt arrangement scheme or moratorium;
4. the individual or the partnership or any of its individual partners being deemed apparently insolvent in terms of Section 16 of the Bankruptcy (Scotland) Act 2016 (and in the event of the apparent insolvency of any such party, the other parties will also be treated as Insolvent).

In relation to an individual or partnership: the issuing of a petition (whether by his creditors or any other person) for his bankruptcy or the issuing of an individual debtor's application for his own bankruptcy (and where that individual is in partnership with others the partnership will be treated as Insolvent on the issue of such a petition or application)

In relation to an individual: the application by the individual for a debt relief order.

in relation to a company, limited liability partnership, partnership or individual

1. the holder of any Security Interest exercising or enforcing his rights, whether by taking possession of or appointing an administrative or other receiver, to any of its or his undertaking, assets or property or otherwise; or
2. suffering distress, commercial rent arrears recovery, sequestration for

rent, diligence, attachment, seizure, execution, sequestration or other legal process upon any assets;

3. being subject to an injunction or interdict (interim or permanent) preventing or restricting dealings with its income or assets;
4. giving notice of the intended suspension of payment of debts;
5. the taking of any steps towards implementing a proposal for a voluntary arrangement under the Insolvency Act 1986;
6. commencing negotiations with one or more creditors for the general readjustment or rescheduling of all or part of its indebtedness;
7. commencing negotiations or otherwise proposing a compromise or arrangement with its creditors or members or any class of them the purposes of which is to eliminate, reduce, prevent or mitigate the effect of financial difficulties;
8. making a general assignment or assignation for the benefit of, or composition with, its creditors;
9. ceasing or threatening to cease to carry on business;
10. allowing any judgment, decree, order or award of any court or tribunal for payment of money to remain unsatisfied for 7 days or more;
11. being insolvent within the terms of section 123 Insolvency Act 1986 or, in our reasonable opinion, being unable to pay its debts as they fall due; or
12. receipt by it of a statutory demand;
13. any event analogous with any of the events referred to in this definition of "Insolvency or Insolvent" occur in any jurisdiction.

in relation to a Scottish partnership: the appointment of a judicial factor.

"Invoice"	any present, future or contingent obligation (including any tax or duty) of a Customer to make payment under a Contract of Sale (whether invoiced or not) and, where the context permits, includes part of an Invoice, however, the term 'Invoice' shall be deemed to exclude any Excluded Invoice.
"Invoice Discounting Client"	at any time, a Client to whom an Invoice Discounting Facility is made available.
"Invoice Discounting Facility"	Confidential Invoice Discounting Facility or a Disclosed Invoice Discounting Facility.
"Issuer"	a bank or other financial institution approved by us which issues a Contingent Instrument on your behalf.
"Japanese Yen Call Overnight Mutan"	for Japanese Yen (JPY), the Japanese Yen Call Overnight Mutan of the Bank of Japan (or any rate at any time replacing that rate), which may be varied (either up or down) by the Bank of Japan at any time and in any such case that the rate is less than 0%, the Japanese Yen Call Overnight Mutan shall be deemed to be 0% until such time as it exceeds 0%.
"Liability"	any actions, awards, costs, claims, damages, losses (including, without

	limitation, any direct or indirect consequential losses), demands, expenses, loss of profits, loss of reputation, judgments, penalties and proceedings and any other losses and/or liabilities suffered and/or incurred by you.
"Minimum Fee"	any minimum or fixed fee (replacing or supplementing the Service Fee) specified in the Commercial Terms.
"Minimum Term"	the shortest period for which this Agreement must endure specified in the Commercial Terms.
"Narodowy Bank Polski Discount Rate"	for Polish Zloty (PLN), the Narodowy Bank Polski Discount Rate of Narodowy Bank Polski (or any rate at any time replacing that rate), which may be varied (either up or down) by Narodowy Bank Polski at any time and in any such case that the rate is less than 0%, the Narodowy Bank Polski Discount Rate shall be deemed to be 0% until such time as it exceeds 0%.
"Net Value"	in relation to any Invoice, the amount actually received by us in settlement or discharge of the Invoice after taking into account all deductions, discounts and set-offs.
"Non-Notifiable Invoices"	those Invoices described as non-notifiable in the Operating Conditions - Part II and specified as Additional Non-Notifiable Invoices in the Commercial Terms.
"Norway Deposit Rate Norges Bank Announcement Rate"	for Norwegian Krone (NOK), the Norway Deposit Rate Norges Bank Announcement Rate of Norges Bank (or any rate at any time replacing that rate), which may be varied (either up or down) by Norges bank at any time and in any such case that the rate is less than 0%, the Norway Deposit Rate Norges Bank Announcement Rate shall be deemed to be 0% until such time as it exceeds 0%.
"Notice of Assignment"	means a notice from us to each of your Customers, informing them of our interest in their Invoices and Related Rights, in the form we provide.
"Notice Period"	the period of notice to be served to terminate this Agreement specified in the Commercial Terms.
"Notification"	your notification to us in the format we specify of the amount of Invoices and other matters referred to in conditions 9.1.6 and 9.1.7 of the Operating Conditions - Part II - Provisions relating to all Clients. "Notified" and "Notify" are to be construed accordingly.
"Notified Value"	the full amount of each Invoice given in a Notification (including any applicable tax or duty) and before any discount for prompt payment or otherwise.
"Obligations"	all your obligations owed to us and all Liabilities suffered or incurred by you under or pursuant to this Agreement.
"Operating Conditions"	the terms and conditions on which we will provide a Facility and /or Debtor Protection services to you incorporated in the Agreement, appearing on the Website, as amended, varied, supplemented or replaced from time to time.
"Payee Bank"	the bank and the account in the name of your business detailed in the Commercial Terms or such other bank and account in the name of your business that you give to us notice of in writing on at least two Working Days notice to which we will make all payments to you.

“Personal Data”	has the meaning set out in and will be interpreted in accordance with the Data Protection Laws
“Purchase Price”	the amount payable by us for each Invoice together with its Related Rights.
“RBA Interbank Overnight Cash Rate”	for Australian Dollars (AUD), the RBA Interbank Overnight Cash Rate of the Reserve Bank of Australia (or any rate at any time replacing that rate), which may be varied (either up or down) by the Reserve Bank of Australia at any time and in any such case that the rate is less than 0%, the RBA Interbank Overnight Cash Rate shall be deemed to be 0% until such time as it exceeds 0%.
“Related Rights”	<ol style="list-style-type: none"> <li>1. all your rights under a Contract of Sale (including your right to damages);</li> <li>2. all (negotiable and non negotiable) instruments, security, bonds, guarantees and indemnities relating to an Invoice;</li> <li>3. all documents, ledgers, databases and computer files (including operating systems) recording or evidencing performance of a Contract of Sale or Invoices;</li> <li>4. all Goods returned to or repossessed by you or rejected by a Customer and all documents of title to such Goods;</li> <li>5. the benefit of any credit insurance in respect of an Invoice;</li> <li>6. any time sheets or proofs of delivery.</li> </ol>
“Remittance”	means the making of or receipt of a payment whether by cash, cheque, credit transfer or any other payment method.
“Repurchase Price”	for any Invoice repurchased by you it will be its Notified Value plus all relevant Fees and Charges less all sums received in or towards discharge of the Invoice and where we require you to repurchase all of your Invoices, then, for administrative convenience, it will be the Debit Balance on the Current Account after we have debited all Fees and Charges and any other monies and liabilities actually, contingently or prospectively owing by you to us.
“Reserve Bank of New Zealand Official Cash Rate”	for New Zealand Dollars (NZD), the Reserve Bank of New Zealand Official Cash Rate of the Reserve Bank of New Zealand (or any rate at any time replacing that rate), which may be varied (either up or down) by the Reserve Bank of New Zealand at any time and in any such case that the rate is less than 0%, the Reserve Bank of New Zealand Official Cash Rate shall be deemed to be 0% until such time as it exceeds 0%.
“Retail Price Index”	the All Items Retail Price Index (RPI table RP04) or any replacement index from time to time, currently published by the Office for National Statistics on their website: <a href="https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerrpriceinflation">https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerrpriceinflation</a> .
“Returned Goods”	any goods relating to an Invoice which are returned to you by a Customer.
“Reserve”	any reserve applied by us to your Availability in such amount as we may determine from time to time.
“Review Limit”	any maximum Availability permitted to you which, until further notice from us,



is the amount shown in the Commercial Terms.

"Sanctions Authority"	the United Nations, the United States of America, the European Union, the United Kingdom, the respective governmental institutions and agencies of any of the foregoing or any other institution or agency that implements, administers or enforces any economic, financial, sectoral or trade sanctions regime in a jurisdiction of relevance to us or a Facility.
"Sanctions Regime"	means any economic, financial, sectoral or trade sanctions implemented, administered or enforced by any Sanctions Authority.
"Scottish Invoice"	<ol style="list-style-type: none"><li>1. an Invoice arising from a Contract of Sale which is governed by the laws of Scotland; or</li><li>2. an Invoice arising from a Contract of Sale which is not governed by the Laws of Scotland but where the Invoice is addressed to a Customer located in Scotland.</li></ol>
"Security"	<ol style="list-style-type: none"><li>1. the Security Interests granted in our favour that secure your Obligations under this Agreement; and</li><li>2. any guarantee, suretyship or similar undertaking given in support of your Obligations to us under this Agreement,</li></ol> <p>whether generally or specifically.</p>
"Security Interest"	any mortgage, standard security, charge, pledge, trust, assignment or assignation by way of security, hypothecation, lien, right of set-off, trust or flawed asset arrangements or any other arrangement for the purpose of or having a similar effect to creating security or any title retention rights, whether or not conditional.
"Service Fee"	the fee, referred to in the Commercial Terms, charged for the provision of our services to you calculated, unless otherwise agreed, as provided in condition 6.2 of the Operating Conditions - Part II - Provisions relating to all Clients and subject always to Part VII of the Operating Conditions.
"Singapore Domestic Interbank Overnight Rate Average (SORA)"	for Singapore Dollars (SGD), the Singapore Domestic Interbank Overnight, Overnight Rate Average (SORA) of the Monetary Authority of Singapore (or any rate at any time replacing that rate), which may be varied (either up or down) by the Monetary Authority of Singapore at any time and in any such case that the rate is less than 0%, the Singapore Domestic Interbank Overnight Rate Average (SORA) shall be deemed as 0% until such time as it exceeds 0%.
"Start Date"	the latter of: <ol style="list-style-type: none"><li>(a) the date of this Agreement; and</li><li>(b) the date on which we confirm that you have satisfied any conditions precedent specified by us.</li></ol>
"Sweden Repo Rate (Effective Rate)"	for Swedish Krona (SEK), the Sweden Repo Rate (Effective Rate) of Sveriges Riksbank (or any rate at any time replacing that rate), which may be varied (either up or down) by Sveriges Riskbank at any time and in any such case that the rate is less than 0%, the Sweden Repo Rate (Effective Rate) shall be deemed as 0% until such time as it exceeds 0%.
"Swiss Average Rate O/N"	for Swiss Francs (CHF), the Swiss Average O/N Intraday Value (SARON) of the Swiss National Bank (or any rate at any time replacing that rate), which may

Intraday Value (SARON)"	be varied (either up or down) by the Swiss National Bank at any time and in any such case that the rate is less than 0%, the Swiss Average O/N Intraday Value (SARON) shall be deemed as 0% until such time as it exceeds 0%.
"Termination Event"	any of the events set out in condition 10 of the Operating Conditions - Part II - Provisions relating to all Clients.
"Trust Account"	any bank account into which Remittances from Customers in respect of Invoices are required to be paid which is unencumbered and declared in trust for us and on which we are the only authorised signatory.
"United Kingdom" and "UK"	the United Kingdom of Great Britain and Northern Ireland and the Isle of Man and the Channel Islands.
"Under Utilisation Fee"	any fee referred to in the Commercial Terms calculated in the manner set out in condition 5.4 of the Operating Conditions - Part III - Provisions relating to Invoice Discounting Clients only.
"We" or "Us"	Lloyds Bank PLC (company number 00002065) and our transferees and assignees
"Website"	<a href="https://www.lloydsbank.com/business/invoice-finance-asset-lending.html">https://www.lloydsbank.com/business/invoice-finance-asset-lending.html</a>
"Working Day"	a day when the Bank is open for all normal business in England and Wales.