

LB Daily Marks Disclosure

Disclosure Statement for Daily Mark Methodologies and Assumptions

General

Lloyds Bank plc (formerly Lloyds TSB Bank Plc) was registered with the Commodity Futures Trading Commission ("CFTC") as a non-U.S. swap dealer (CICI: H7FNTJ4851HG0EXQ1Z70) from 21 October 2013 to 12 February 2020. Pursuant to the CFTC Business Conduct Standards for Swap Dealers and Major Swap Participants (the "EBC Requirements"), Lloyds Bank plc, as a registered swap dealer, was required to provide you a daily mid-market mark (the "Daily Mark") for "swaps", "foreign exchange forwards" and "foreign exchange swaps" transaction, each as defined in the U.S. Commodity Exchange Act, as amended, and the rules and regulations promulgated thereunder (the "CEA" and each such transaction, a "swap transaction"). Although Lloyds Bank plc is no longer subject to the EBC Requirements, it has agreed to continue to provide Daily Marks in respect of swap transactions entered into while it was a swap dealer. If the swap transaction is uncleared, you will receive the Daily Mark from Lloyds Bank plc. The EBC Requirements also required Lloyds Bank plc to disclose to you the methodology and assumptions used to prepare the Daily Mark for any such uncleared swap transaction. If the referenced swap transaction is cleared, you have the right to receive a Daily Mark from the appropriate derivatives clearing organization. If you have agreed with us to receive the Daily Mark for cleared swap transactions from the futures commission merchant through which you cleared such swap transaction, the relevant designated clearing organization or another third party, Lloyds Bank plc will not also forward a Daily Mark to you. This document describes the methodologies and assumptions used to prepare the Daily Mark provided to you by Lloyds Bank plc.

From 12 February 2020 Lloyds Bank plc is not required to prepare Daily Marks but the disclosure of the methodologies and assumptions detailed below was in satisfaction of Lloyds Bank plc's obligations to you under CFTC Rule 23.431(d) when that rule applied to Lloyds Bank plc. This disclosure sets out the basis on which Lloyds Bank plc voluntarily provides Daily Marks in respect of swap transactions. You should not construe the content of this disclosure statement as legal, financial, tax, accounting or other advice.

If the Daily Mark is presented as negative it is in your favour. If the Daily Mark is presented as a positive value it is in favour of Lloyds Bank plc.

Please note that you may have outstanding positions with Lloyd Bank Plc that do not feature in the Daily Mark disclosures if those positions relate to products that are not in scope of the definition of "swap transaction" specified above.

The Daily Mark is subject to a number of important qualifications described below.

NOTHING IN THIS DISCLOSURE STATEMENT AMENDS OR SUPERSEDES THE EXPRESS TERMS OF ANY SWAP TRANSACTION BETWEEN YOU AND LLOYDS BANK PLC OR ANY RELATED GOVERNING DOCUMENTATION.

Qualifications to the Daily Mark

1. The Daily Mark will not include amounts for profit, credit reserve, hedging, funding, liquidity, or any other cost or adjustment.
2. The Daily Mark may not necessarily be a price at which you or Lloyds Bank plc, or any of its affiliates, would agree to value, replace or terminate a swap transaction, whether or not pursuant to its terms.
3. The Daily Mark may not necessarily be the value of the swap transaction that is marked on Lloyds Bank plc's books and records.
4. The Daily Mark may not reflect the price at which you could execute the swap transaction, or any similar swap transaction, with any other market participant.
5. Calls for margin by Lloyds Bank plc, whether or not based on the value of, or exposure under, the swap transaction pursuant to the swap transaction's terms or any related master agreement or credit support annex, may be based on valuations unrelated to the Daily Mark or considerations other than the Daily Mark.
6. In calculating the Daily Mark, the methodology used by Lloyds Bank plc may be based on simplified models that may not reflect or take into account all potentially significant factors that could affect the swap transaction's value, such as market risk, liquidity risk, and credit risk. Lloyds Bank plc may use different models, make valuation adjustments, or use different methodologies when determining prices at which Lloyds Bank plc is willing to trade, replace or terminate swap transactions, and/or when valuing its own inventory positions for its books and records. Lloyds Bank plc's pricing models may contain confidential, proprietary features that Lloyds Bank plc is not required to share with you.
7. The Daily Mark does not constitute a bid or offer, or a solicitation of a bid or offer, to initiate or conclude any swap transaction and any actual bid or offer price may differ substantially from the Daily Mark.
8. Daily Marks may vary significantly from market participant to market participant. Lloyds Bank plc does not warrant or imply in any way that the Daily Marks are or will be representative of the valuations that may be provided to you by other dealers or by any affiliate of Lloyds Bank plc.
9. The Daily Mark is prepared as of the close of business (the time at which Lloyds Bank plc computes its end of day valuations for swap transactions) on the date of calculation and does not reflect subsequent changes in the market or changes in any other factors relevant to the Daily Mark determination which were not relevant at such time.
10. The provision of the Daily Mark for a swap transaction is not intended to imply that an actual trading market exists for that swap transaction or that it is appropriate to assume (for accounting or other purposes) that such a trading market exists.
11. Although the Daily Mark has been prepared by Lloyds Bank plc in good faith, Lloyds Bank plc does not guarantee its completeness or accuracy, or make any representation or warranty with regard to the Daily Mark or the models or estimates used in deriving the Daily Mark. Lloyds Bank plc does not assume responsibility for losses or damages arising out of your use of the Daily Mark.
12. Lloyds Bank plc has not advised you as to the appropriateness of any particular use of the Daily Mark, including in connection with internal financial or accounting determinations or in satisfaction of reporting obligations. In particular, Lloyds Bank plc does not take into account specific tax rules or accounting methods applicable to you in its preparation of the Daily Mark and, therefore, Lloyds Bank plc shall not be liable for differences, if any, between a Daily Mark and mid-market marks provided by third-parties as such difference may arise as a result of the application and implementation

- of alternative accounting methods, tax rules or valuation models. You should consult with your auditors and other advisors you deem appropriate as to whether the Daily Mark may be useful in connection with the preparation of your financial statements (and, in particular, whether and to what extent these Daily Marks may be treated as being indicative of prices at which trades could be executed) or for any other purpose.
13. Lloyds Bank plc is not acting in the capacity of your fiduciary, financial advisor or agent in providing the Daily Mark.
 14. In the unlikely event that a current valuation is not available at close of business the last reliable valuation will be provided to you with the valuation date clearly marked. In the event of a systems error where no valuation is available you will receive an error value and a warning message to indicate that a valuation is not available.
 15. Distribution, possession or delivery of the Daily Mark in, to or from certain jurisdictions may be restricted or prohibited by law. Recipients of the Daily Mark are required to inform themselves of and comply with all such restrictions or prohibitions. Lloyds Bank plc does not accept any liability to any person in relation to the distributions, possession or delivery of the Daily Mark in, to or from any jurisdiction.
 16. The Daily Mark provided in this statement has been provided specifically to you only and you should treat it as proprietary and confidential information. The Daily Mark may not be disclosed to any third party without Lloyds Bank plc's prior written consent.
 17. This statement is sent via electronic means and Lloyds Bank plc will not be held responsible for any corruption or alteration of the data during transmission to the recipient.
 18. This information applies to any Daily Mark delivered to in written or electronic format.

For many types of swap transactions the Daily Mark is a theoretical calculation of the net present value of future payments and deliveries under the swap transaction. For future payments or deliveries the amounts or values of which are currently known, Lloyds Bank plc uses the actual amounts or values of such payments or deliveries in calculating the Daily Mark. For future payments or deliveries the amounts or values of which are not currently known, or are not currently known in the relevant currency, or that are not certain to be required to be made, Lloyds Bank plc calculates assumed amounts or values according to the methodologies described below. These methodologies vary by transaction type and generally include:

1. Forward Price Method

Calculating a forward price, level, rate or value of each relevant Underlier (as hereinafter defined) based on the current market price, level or value of the Underlier and an appropriate rate curveⁱ, and assuming that the forward price, level, rate or value will be realized in the future (the "Forward Price Method").

"Underlier" means any rate (including interest and foreign exchange rates), currency, commodity, security, instrument of indebtedness, index, quantitative measure, occurrence or non-occurrence of an event, or other financial or economic interest, or property of any kind, or any interest therein or based on the value thereof, in or by reference to which any payment or delivery under a swap transaction is to be made or determined. For a swap transaction in foreign exchange, the relevant forward exchange rate will be calculated based on the current exchange rate and an appropriate rate curve for each of the Underliers.

ⁱ The forward rate for a floating interest rate is based solely on an appropriate rate curve, from which a forward curve is derived (except with respect to Treasury Lock Swaps as described below).

2. Proprietary Model Method

Estimating future payments or deliveries under the swap transaction based on a proprietary model, which may be based on, or derived from, methodologies such as the Black-Scholes option pricing model, a Monte Carlo simulation, a SABR volatility model or other multi-factor methodologies, which in each case may be subject to proprietary modifications by Lloyds Bank plc (generally, the “**Proprietary Model Method**”).

- a. For swap transactions that have option-related elements, including swaptions and swap transactions with a cap, collar, floor, knock-in, knock-out or range accrual feature, the proprietary model may incorporate, among other things, observable market inputs such as (A) the current market price, level, rate or value of each applicable Underlier (and where the Underlier is a swap, the factors that are relevant to the calculation of the Daily Mark for a swap transaction of that type, as described below), (B) an implied volatility of each applicable Underlier derived from the observed price of market traded instruments (given the application of an appropriate model and certain assumptions about the other inputs to that model and subject to the application of an interpolation methodology) and (C) an implied correlation among Underliers, between each applicable Underlier and another relevant price, level or value or among the volatilities of any of the foregoing derived from the observed price of market-traded instruments (given the application of an appropriate model and certain assumptions about the other inputs to that model and subject to the application of an interpolation methodology). For certain swap transactions described below, although a methodology other than Proprietary Model Method is specified as the applicable methodology for calculating the Daily Mark, a Proprietary Model Method may be applied if the swap transaction contains an option-related element.
- b. For certain swap transactions, Lloyds Bank plc assumes that the future price, level, rate or value of each applicable Underlier will be equal to the price, level, rate or value that is implied in the observed price of market-traded instruments given the application of an appropriate model and certain assumptions about the other inputs to that model (the “**Implied Value Method**”). Where the exercise prices and maturities of the relevant instruments do not match the exercise price of the swap transaction or the date of the applicable future payment or delivery, Lloyds Bank plc will apply an interpolation methodology.

In the calculation of the Daily Mark, the assumed future payment amounts or delivery values, along with future payment amounts and delivery values that are known with certainty, are discounted to their present value using discount rates derived from a proprietary discount curve constructed by Lloyds Bank plc (unless otherwise indicated). The discount curve is constructed based on (i) interest rates published for specified periods by information vendors, (ii) implied interest rates derived from the published settlement prices of futures or other market-traded instruments and (iii) the mean of bid and offer quotes for interest rate swaps (or cross-currency basis swaps) available in the market for available maturities, in each case subject to adjustment and interpolation by Lloyds Bank plc. The interest rates underlying the Lloyds Bank plc proprietary discount curve will be based on the overnight indexed swap rate (or a comparable rate in an applicable non-U.S. currency), and foreign exchange swaps/forwards or cross currency swaps (in case of foreign currency collateral). For some swap transactions, the Lloyds Bank plc proprietary discount curve may reference the currency or currencies of eligible collateral and/or the currency of the swap transaction. For information about the interest rate(s) underlying the discount curve for a specific swap transaction, please contact

Lloyds Bank plc at the contact information given below. The rate curves used to determine forward prices under the Forward Price Method are constructed in a manner similar to that in which the discount curve is constructed. For a given swap transaction, the rate curve used to determine forward prices may or may not be the same curve as the discount curve used for discounting purposes [2]. If the Daily Mark is calculated based on the Proprietary Model Method, the discount curve and/or rate curve may be incorporated into the applicable model.

Certain swap transactions that are not primarily swap transactions in foreign exchange may have a foreign exchange component because the price, level or value of any Underlier in the swap transaction may be denominated in a currency other than the settlement currency for the swap transaction. For such swap transactions (except as otherwise described below), the assumed amount or value for unknown future payments or deliveries will be determined according to the applicable methodology identified below, but adjusted according to a proprietary model that accounts for the uncertainty of the foreign exchange component of the payment based on a number of inputs, which may include the current forward exchange rate for the relevant currencies, a volatility of each applicable Underlier, a volatility of the forward exchange rate for the relevant currencies and a correlation between each applicable Underlier and the forward exchange rate for the relevant currencies. Generally, any forward contracts on a given Underlier that are settled in a denomination other than the market standard denomination may require an additional “convexity” adjustment to the Forward Price Method, which accounts for the volatile co-movement of the Underlier and the (hedge) ratio between the nonstandard and standard settlement denominations.

Where Lloyds Bank plc determines that a sufficiently liquid market exists, the Daily Mark may be based on observed market prices for instruments that are comparable to the swap transaction rather than on the discounted present value of future payments.

Unless otherwise specified, the Daily Mark provided on a given day will be calculated by Lloyds Bank plc as of the close of business on the prior business day in the Lloyds Bank plc office in which the swap transaction is booked (the “**Calculation Date**”).

The methodologies used to calculate the Daily Mark may be based on simplified models that may not reflect all potentially significant factors that could affect a swap transaction’s value, such as market risk, liquidity risk and credit risk as well as hedging and other costs. Lloyds Bank plc may use different methodologies or make valuation adjustments when determining prices at which Lloyds Bank plc is willing to trade, enter into, replace or terminate a swap transaction, or when valuing its own inventory positions for its books and records. There will likely be a difference, which could be significant, between the Daily Mark for a swap transaction and the level at which Lloyds Bank plc, any of its affiliates or any other market participant may agree to value, enter into, replace or terminate the swap transaction. Certain features of the methodologies used by Lloyds Bank plc to prepare the Daily Mark are proprietary and confidential, and Lloyds Bank plc is not required to disclose such proprietary or confidential information to you.

Methodologies will change over time and, as they do, this document will be updated accordingly. If you have any questions, please contact the client valuation team (WMTTClientValuations@lloydsbanking.com)

² In the case of a Foreign Exchange Transaction, for which two rate curves (one for each applicable currency) are used to determine the forward exchange rate, at least one rate curve will differ from the discount curve.

Methodology by Underlier Asset Class

For each Underlier asset class identified below, the following sections describe the methodology and inputs Lloyds Bank plc uses to prepare the Daily Mark. If the applicable methodology is Forward Price Method or Proprietary Model Method (including Implied Value Method): (i) the description below identifies the relevant methodology and the key inputs that Lloyds Bank plc uses (together with the specific terms of the swap transaction) to calculate assumed amounts or values for unknown future payments or deliveries under the swap transaction, which amounts are discounted to present value as described above unless otherwise indicated; (ii) for any swap transaction with two floating legs, one of which is based on a floating interest rate (the “**financing leg**”) and one of which is based on a non-interest rate Underlier, the methodology identified below is the methodology used to calculate assumed amounts or values for future payments or deliveries under the nonfinancing leg; and (iii) assumed amounts for unknown future payments under the financing leg of any swap transaction are determined by calculating the forward rate for the relevant interest rate based on an appropriate rate curve.

1. Foreign Exchange

a. Foreign Exchange Swap or Foreign Exchange Forward (including non-deliverable)

The Daily Mark is calculated based on the Forward Price Method. The forward exchange rate is determined based on the most recent exchange rate (“Spot”) for the Underliers published by the applicable source as of the Calculation Date and spread between Forward and Spot exchange rate (for short maturities) and cross currency swaps (for long maturities). Suitable interpolation applies to maturities between market quoted tenors. If the swap transaction is contingent on the occurrence of a specified transaction, the calculation of the Daily Mark also incorporates a factor reflecting the likelihood that the specified transaction will be consummated, as estimated by Lloyds Bank plc.

b. Foreign Exchange Option (including non-deliverable)

The Daily Mark is calculated based on the Proprietary Model Method. The model is based on an option pricing model that uses as inputs, among other things: the most recent exchange rate for the Underliers published by the applicable source as of the Calculation Date; an implied volatility of the relevant exchange rate derived from recent prices of market-traded instruments referencing the relevant exchange rate as of the Calculation Date; and an appropriate rate curve for each relevant currency.

c. Other Swap or Option Referencing Foreign Exchange Index

The Daily Mark is calculated based on the Proprietary Model Method. The type of model used varies depending on the underlying foreign exchange index and may be based on Monte Carlo simulation, an analytical model or another methodology. The volatility of the underlying index will be an input to the model and will be determined by Lloyds Bank plc based on historical realized volatility and the target volatility of the applicable index.

2. Securitized Products

a. Balance Guaranteed Swap

The Daily Mark is calculated based on the Proprietary Model Method. For purposes of determining an assumed value for the foreign exchange rate (if applicable), a forward exchange rate is calculated in the manner described above under “1. Foreign Exchange – a. Foreign Exchange Swap or Foreign Exchange Forward (including nondeliverable)”.

The relevant model incorporates (in addition to the forward exchange rate and other factors) estimates of amortization rates, the volatility of amortization rates, the volatility of the applicable interest rate on the Underlier and the correlation between amortization rates and such interest rate, in each case as determined by Lloyds Bank plc as of the Calculation Date.

3. Interest Rate

a. Interest Rate Swap or Forward Rate Agreement

The Daily Mark is calculated based on the Forward Price Method. In the case of a cross-currency swap, the Daily Mark reflects a conversion of the net present value of the assumed future payment in each currency into the currency of the net present value calculation at the most recent relevant exchange rate as of the Calculation Date. In the case of a mark-to-market cross-currency swap, an assumed value for the floating notional amount is determined based on a forward exchange rate, which is calculated in the manner described above under “1. Foreign Exchange – a. Foreign Exchange Swap or Foreign Exchange Forward (including non-deliverable)”.

b. Interest Rate Swaption, Swaption Straddle, Cap, Floor or Collar

The Daily Mark is calculated based on the Proprietary Model Method. A Black- Scholes interest rate option model is used in conjunction with a SABR-based volatility model calibrated to recent prices of market-traded interest rate options.

c. Inflation Swaps

The Daily Mark is calculated based on an assumed value for the relevant inflation measure in the future, which is determined by reference to an inflation forward curve constructed by Lloyds Bank plc based on recent prices of market-traded instruments referencing the Underlier as of the Calculation Date, with seasonality adjustments based on historical trends.

d. Inflation Cap, Floor or Collar

The Daily Mark is calculated based on the Proprietary Model Method. A Black- Scholes inflation option model is used in conjunction with a SABR-based volatility model calibrated to recent prices of market-traded inflation options.

e. Structured Inflation Swaps

The Daily Mark is calculated based on the Proprietary Model Method. Assumed future payments are derived from a probabilistic model using a probability distribution implied from recent prices of market-traded inflation options. In some cases, the model may take into account estimated correlation between interest rates and inflation, which is determined by Lloyds Bank plc.

f. Treasury Lock Swaps

The Daily Mark is calculated based on the Forward Price Method. The relevant forward Treasury rate is calculated based on the most recently available spot price of the relevant Treasury rate and an appropriate rate curve, in each case as of the Calculation Date.

g. Structured Interest Rate Swaps

The Daily Mark is calculated based on the Proprietary Model Method. Assumed future payments are derived from a probabilistic model using a probability distribution implied from recent prices of market-traded interest rate options. In some cases, the model may take into account estimated correlation between interest rates of different terms, which is determined by Lloyds Bank plc.

4. Commodity

The Daily Mark for a swap transaction where the Underlier is a commodity is determined using models obtained from third party vendors.