COMMERCIAL BANKING

INFORMATION ON THE PRICING AND PLACING OF A DEBT SECURITIES OFFERING

Introduction

This document has been prepared by Lloyds Bank Corporate Markets plc's (**"us"** and **"we"**) and supplements the Lloyds Bank Corporate Markets plc General Terms of Business which you may receive from us from time to time and which can be accessed here or by typing in the following link: http://commercialbanking.lloydsbank.com/important-information/commercial-banking-regulatory-information/ .

This document is a summary of the operational framework governing our process for pricing and placing of debt securities executed by us in the UK. The purpose of this document is to provide clients who are considering the issuance of debt securities with general information on (i) how the recommendation as to the price of a debt securities offering and the timings involved is determined and (ii) the timing and the process with regards to the pricing and placing of a debt securities offering. The processes described herein may however differ depending on the circumstances of the relevant debt securities offering.

We are committed to maintaining the highest professional standards in providing services to our clients. Processes described herein are conducted in line with relevant regulations and industry standards in order to manage conflicts of interest and ensure fair treatment of all clients, including (but not limited to) in relation to conflict of interest relating to a possible under- or over-pricing of any debt securities offering.

You should have regard to your own experience, objectives, financial circumstances or any other circumstances when considering whether to enter into any debt securities transaction with us and, where necessary, you should seek appropriate independent advice in advance of any decisions to enter into any debt securities transaction.

Lead banks and the underwriting syndicate

An issuer will typically appoint a number of banks, referred to as lead banks (the "**Lead Banks**"), to assist with the pricing and placing of the debt securities.

Part of the role of the Lead Banks, is (often with additional banks) to underwrite the offer of debt securities, this group of banks is known as the underwriting syndicate. Underwriting is undertaken on a best efforts or bought (or hard underwritten) basis.

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“**Best efforts basis”** is an agreement between the underwriting syndicate and the issuer, whereby the banks do not undertake to place a specific amount of debt securities with investors. The amount will be determined by investors’ appetite.

“A bought (or hard underwritten) basis” is an agreement between the underwriting syndicate and the issuer whereby the banks undertake to purchase a specific volume of debt securities (the volume is not dependent on investors’ interest).

The costs and risks associated with each type of underwriting option differ and will be specific to the particular offering.

Pricing recommendations

The price of a debt securities offering will consist of a benchmark rate together with an additional amount (or a ‘spread’). The spread will be determined by each issuer’s individual circumstances and based on a number of factors which may include, but not limited to, the maturity (or ‘tenor’) of the debt securities, the credit rating of the issuer, the currency of the debt securities, the trading price of previously issued debt securities, as well as investor demand. In addition to the spread, for new issuances there will also be an additional premium to be paid, the amount of which will depend on individual circumstances, but will be based on recent issuance precedents, the sector of the issuer, the tenor and the spread.

Pricing guidance is provided by the Lead Banks to the issuer prior to the launch of the debt securities offering. It will normally be presented as a range, with such range being dependent on a number of factors, as mentioned above. The Lead Banks will then discuss such pricing guidance with the issuer and agree on the initial price thoughts (“**IPTs**”) to be announced to the market as part of the launch of the debt securities offering.

Pricing guidance may be revised upwards and/or downwards. However, this depends on the progress of the book build and interest of investors. The IPTs may therefore not be the final price of the debt securities and we cannot give any guarantees about what the final price of the debt securities will be.

Timing recommendation for the launch of a debt securities offering

The timing of the launch of a debt securities offering can depend upon multiple factors both bespoke to the issuer and common to all prospective market entrants.

Consideration of public holidays, holiday periods, company blackout periods and likely busy supply periods are some but not all factors that will determine a recommendation with regards to timing of the launch of a new debt securities offering.

On the morning of the day on which a launch of the debt securities offering is contemplated, a call (known as the ‘Go/No-Go call’) will be arranged between the Lead Banks and the issuer in order to determine whether to launch the debt securities offering on that day. Factors that will determine a ‘Go’ decision include, but are not limited to, the recent performance of relevant market indices, the performance of debt securities offerings in other markets such as Asia and the US as well as the stability of debt securities markets.

Pricing and placing process

(i) Launch – announcement of the debt securities offering to the market

Once the decision is taken by an issuer to announce a debt securities offering, the offering will be announced via Bloomberg (“**BBG**”) (or an equivalent) with details such as the name of the issuer, the maturity of the debt securities, and other relevant deal terms.

Key activities throughout the launch phase include:

- Usually the Lead Banks will ask the issuer due diligence questions prior to any announcement of the debt securities offering to the market
- The Go/No-Go call will be held with the issuer and Lead Banks
- Deal announcement via BBG with initial price thoughts (“**IPTs**”)
- Legal documents relating to the debt securities offering finalised.

(ii) Book building – compiling of investor interest

The Lead Banks will compile orders in a shared order book (online) and feedback progress to the issuer who may opt to amend the terms of the debt securities offering.

Key activities throughout the book building phase include:

- Update call(s) between the Lead Banks and the issuer to update the issuer on investor demand; such update call may also include revised pricing guidance.
- Development of order books
- Call to agree final terms between the Lead Banks and the issuer
- Release of the final terms of the debt securities offering to the market

(iii) Allocation

The Lead Banks allocate the order book in accordance with applicable rules and regulations, applicable policies as well as industry standards. Information of final allocation is then released to investors.

A copy of our investor selection and allocation policy is available here or by typing in the following: http://commercialbanking.lloydsbank.com/important-information/commercial-banking-regulatory-information/ .

Key activities throughout the allocation phase include:

- Lead Banks to start allocation process
- Issuer to review and confirm final allocations
- Publication of allocations & hedge information to investors
- Call between Lead Managers and the issuer to refresh due diligence questions before pricing, known as “bring down due diligence”

(iv) Pricing

A pricing call is held between the Lead Banks and the Issuer after which terms of the debt securities offering are set and confirmed to the market. After pricing, the debt securities are then ‘free to trade’.

Key activities throughout the pricing phase include:

- Pricing call
- Announcement that debt securities are free to trade
- Settlement date confirmed

Timing between the launch and the pricing of a debt securities offering

The process between launch and pricing of a debt securities offering (other than asset backed securities) is typically intra-day with a debt securities offering launched in the morning and such debt securities designated as free to trade by late afternoon. The end to end process for asset backed debt securities tends to be slightly longer and may encompass 2-3 business days.

Please contact your Lloyds Bank Corporate Markets plc representative at any time with any questions on this document.