

Our Approach to Costs and Charges Calculations

The information below outlines how we calculate costs and charges information contained within our Post Trade Notices for Traded Products. The costs and charges that are applied to subsequent transactions may however vary, depending upon the factors outlined in this document as well as any agreed pricing between us.

Traded Products include all Foreign Exchange (FX), Rates and Fixed Income Products offered by Lloyds Bank plc and includes, without limitation, the specific products referred to below. This does not include deposits, short term or variable term lending, and services such as underwriting and placing of bond transactions or private placements.

The sections below outline how we price products contained within a Post Trade Notice, it contains additional general information on the numbers included in the Post Trade Notice and provides further detail about how we calculate costs and charges for specific products or transactions.

Please note that you can request a breakdown of our aggregated costs at any time if you contact your Lloyds Bank Representative.

How we price products

The price that we quote you when entering into the products included in our Post Trade Notice is comprised of two parts:

1. The Risk Transfer Price,
2. A margin to cover additional costs and charges this is what is disclosed in the Post Trade Notice.

The Risk Transfer Price is the trader price which is the expected price of risk managing the position over time. Factors impacting the Risk Transfer Price include, but are not necessarily limited to:

- prevailing market prices for similar transactions,
- liquidity and volatility,
- the size and complexity of the transaction,
- the impact of the transaction on our existing risk position,
- the costs of entering into hedging transactions to manage the risk position,
- residual unhedged risk carried by us.

The margin for costs and charges in the Post Trade Notice include:

- Cost of Capital – credit, funding and capital costs incurred by us,
- Transaction Costs – which includes, but is not limited to, the cost of providing clients with execution support for the transaction and operational costs incurred in providing the product,
- Cost to Serve – given that a large proportion of the cost to serve incurred by the Bank is fixed, we will also take account of a client’s overall interaction with the bank to estimate the impact this has on the marginal cost of providing each product and the overall returns generated,
- Return on Investment – an amount required to satisfy our internal capital return targets once total costs have been taken into account.

Further information on our pricing approach can be found by clicking here or typing in the following: <https://www.lloydsbank.com/assets/commercial/pdfs/our-approach-to-pricing-our-traded-products-lb.pdf>

General information on costs and charges applied to your trade(s)

The costs and charges outlined above are disclosed in the Post Trade Notice (ex-Post or post trade) as a cash amount and as a percentage of notional. Costs and charges are applied at the point of execution, but you may not physically settle these costs and charges until you make payments for your transaction(s).

For MiFID categorised counterparties (including Retail), the obligation is to provide a Pre-Trade disclosure of all costs and charges in good time before of the transaction.

Depending upon your individual circumstances, you may also be liable for any relevant taxes and costs that are incurred because of the tax treatment of any products and/or services. These costs are not included in the calculations.

We will disclose information on costs and charges in British Pounds Sterling (GBP), regardless of the currency of the underlying transaction you have entered into with us. Where the margin for cost and charges is initially calculated in a currency other than GBP (for example where you have entered into a transaction in US Dollars) we will include the conversion rate used to convert this amount into GBP in the Post Trade Notice. The rate used is a standardised rate which is calculated daily and is used for our own internal accounting purposes and may be different from the exchange rate at the precise point you entered into the transaction.

If you are dealing with us through Trading Venues, there will be no additional costs and charges unless otherwise specified in the Post Trade Notice. Further details of our Costs and Charges policy can be found in our General Terms of Business Part III Financial Instruments section 16 at: <https://www.lloydsbank.com/business/corporate-banking/important-information/commercial-banking-regulatory-information/lloyds-bank-plc-terms-of-business.html>

Additional product specific information on costs and charges

1. FX spot, forwards, time options and swap products

We will calculate costs and charges in the base currency of a transaction, where the base currency is the amount of the quote currency needed for one unit of the base currency and the first currency in a currency pair quotation. For example, if you are transacting an FX Forward trade buying US Dollars (USD) with British Pounds Sterling (GBP), the costs and charges cash information will be denominated in GBP, as the rate quoted is the GBPUSD rate. The costs and charges amount that we will disclose at the point of execution is the cost and charges amount that will be settled at the point the transaction matures.

If you enter into an uneven swap product that features different cash amounts on the two settlement dates, we will determine the percentage margin for costs and charges based on the highest of these two amounts.

2. FX options

We will calculate the costs and charges in the currency of the underlying option. For example, if you enter into an option to buy USD10 million and sell GBP, we will calculate the costs and charges in USD. If you enter into an option to sell GBP10 million and buy USD, the underlying option is GBP and we will calculate the costs and charges in GBP.

If you enter into a product that incorporates a number of component options (for example where there are monthly expiry dates over the course of a year), we will determine the total Risk Transfer Price of the product and confirm any additional margin for costs and charges using the overall notional of the product as the basis for calculating the costs and charges as a percentage amount.

Where you transact multiple products as part of a package, the costs and charges will either be disclosed separately for each individual product or alternatively we will confirm the costs and charges for the overall package against a single product on the Post Trade Notice. When this occurs, the margin for costs and charges as a percentage of the notional is based on the total notional of the package.

Where the product notional has a variable or contingent aspect (for example, ratio / knockout / extendable products), the maximum notional will be used when calculating the cost and charges. This specific cost and charges margin will be calculated as a percentage of the maximum notional.

3. Rates derivatives – for example: Swaps, Caps, Collars, Cross Currency Swaps

For Rates derivatives we will not disclose the margin as a percentage of the notional and will instead confirm this as a percentage margin that is applied across the profile of the product that you enter into. We will calculate the cash amount of the margin for costs and charges as the present value of this margin.

For cross currency swaps, the margin for costs and charges will be calculated in the currency of the leg you are required to pay.

Where you enter into multiple products as part of a package, the costs and charges will either be disclosed separately for each individual product, or alternatively we will confirm the costs and charges of the overall package against a single product in the post trade notice. Where this occurs, the margin for costs and charges in basis points will be determined based on the overall transaction profile of the package.

If a transaction is amended, restructured or terminated ahead of the scheduled maturity date an additional margin for costs and charges is applied at this point. We will provide information on the costs and charges at this point in a new Post Trade Notice.

4. Other products

In general, we do not apply any costs and charges to other products contained in the Post Trade Notice.

Further Information

Please contact your Lloyds Bank representative for further information on the costs and charges information contained within the Post Trade Notice.

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