

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, Commodity and Fixed Income Products offered by Lloyds Bank plc and Lloyds Bank Corporate Markets plc (together "Lloyds Bank"), and include, but are not limited to, 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 includes:

- 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 of the transaction and operational costs incurred in providing the product,
- Costs 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 considered.

Further information on our pricing approach can be found in the following:

<https://www.loydsbank.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 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 payment 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 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 transacted 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 Transactions section 16 at: <https://www.loydsbank.com/business/corporate-banking/important-information/commercial-banking-regulatory-information/loyds-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. The base currency is 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 transact 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 transact 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 transact 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 of 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 costs and charges. This specific costs and charges margin will be calculated as a percentage of the maximum notional.

3. Commodity derivatives

In the case of options, we will calculate the costs and charges in the currency of the underlying commodity. For example, if you enter into a commodity derivative in USD we will calculate the costs and charges in USD.

If you transact 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 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 of 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 will be based on the total notional of the package.

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

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

5. Credit (bonds/gilts)

In many cases, we will not apply a margin for costs and charges for bonds/gilts and the costs and charges amount will be zero. There may however be occasions where we seek to source liquidity for specific bond transactions in the market, and where this is the case, we will disclose the margin for each trade to the relevant counterparty. We will calculate costs and charges in the base currency of a transaction. The margin is then calculated as being half of the difference between the price to purchase and sell the bond to each counterparty.

In this scenario the cash amount of the costs and charges will be equal to half the difference in the bid and ask price multiplied by the deal size.

The percentage equivalent will be derived by dividing the margin for cost and charges by the total consideration. The total consideration is equal to the deal size or volume multiplied by the unit price agreed.

For structured bonds that embed a derivative, the margin for costs and charges will be zero unless we inform you otherwise where the cost and charges for each component will be specified. The total consideration is equal to the deal size or volume multiplied by the unit price agreed.

6. Dual Currency Investments

We will calculate the costs and charges in the investment currency of the investment product you have chosen. When calculating the margin for costs and charges as a percentage of the notional, we will use the investment notional of the investment product.

7. Money Market

We will not apply a spread to the cost and charges on Money market products.

8. Repurchase agreements

We will not apply a spread to the cost and charges on Repurchase agreements.

9. 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 plc or Lloyds Bank Corporate Markets plc representative for further information on the costs and charges information contained within the Post Trade Notice.

Lloyds Bank is a trading name of Lloyds Bank plc and Lloyds Bank Corporate Markets plc. Lloyds Bank plc. Registered Office: 25 Gresham Street, London EC2V 7HN. Registered in England and Wales no. 2065. Lloyds Bank Corporate Markets Plc. Registered office 25 Gresham Street, London EC2V 7HN. Registered in England and Wales no. 10399850. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under registration number 119278 and 763256 respectively.

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