



LLOYDS BANK

Our Approach to Costs and Charges Calculations

The information below outlines how Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH (“us”, “we” or “our”) calculate the costs and charges information contained within our Post Trade Notices for Traded Products (see below). This information may also be used in conjunction with the costs and charges information in the Post Trade Notice, to provide an indication of the likely costs and charges for future trades between us. The costs and charges that are applied to subsequent transactions may however vary, depending upon the factors outlined below as well as any agreed pricing between us.

The sections below outline how we price the products contained within the Post Trade Notice, give further general information on the figures included in the Post Trade Notice, and provide further detail about how we calculate costs and charges for certain products or transactions.

Please note that you can request a breakdown of our aggregated costs at any time.

How we price products

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

1. The Risk Transfer Price; and
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; and
- the cost of entering into hedging transactions to manage the risk position.



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

- cost of capital – credit, funding and capital costs incurred by us;
- cost to serve – which includes but is not limited to, the cost of providing clients with execution support and the transaction and operational costs incurred in providing the product. 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;
- financial return – an amount required to satisfy our internal capital return targets once costs have been taken into account.

Further information on our pricing approach can be found by clicking here or typing in the following:

<http://commercialbanking.lloydsbank.com/important-information/commercial-banking-regulatory-information/>

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 also 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 under the transaction.

Depending upon your individual circumstances, you may also be liable for any relevant taxes and costs that are incurred as a result of the tax treatment of any Products and/or Services. These costs are not included in the calculations below.

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 or Euro) 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 on a daily basis 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 zero costs and charges for such trades unless otherwise specified.

Additional product specific information on costs and charges

1. Credit (bond/gilt)

In the majority of 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



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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 a counterparty.

In this scenario the cash amount of the costs and charges will be equal to half the difference in 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. The total consideration is equal to the deal size or volume multiplied by the unit price agreed.

2. Other products

In general we do not apply any costs and charges to other products contained in the post trade notice.

3. Compensation Scheme

We are a member of the Compensation Scheme for Investment Service Providers (Entschädigungseinrichtung der Wertpapierhandelsunternehmen, EdW), Charlottenstrasse 33/33 a, 10117 Berlin. EdW is the compensation institution responsible under the Investor Compensation Act (AnlEntG).

The AnlEntG contains the provisions on possible compensation claims against EdW if an institution is not in a position to meet liabilities from securities transactions. It also regulates the scope of any compensation claim.

According to the AnlEntG, liabilities from securities transactions are protected up to 90% of their value, up to a maximum of EUR 20,000 per creditor. The claim for compensation does not exist to the extent that funds are not denominated in the currency of an EU Member State or denominated in euro. It only covers obligations arising from securities transactions, which are part of the Institute's main contractual obligations (primary obligations). Claims for damages resulting from consulting errors, for example, are not covered. Pursuant to article 3 of the Investor Compensation Act (AnlEntG), certain investors are not protected, including but not limited to credit institutions and financial service providers, insurance companies.

We are not authorised to accept client funds or to have access to client assets. Investments are always carried out via partner banks, fund companies or issuers.



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Further Information

Please contact your Lloyds Bank 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, Lloyds Bank Corporate Markets plc and Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH. Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH is a wholly-owned subsidiary of Lloyds Bank Corporate Markets plc. Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH has its registered office at Thurn-und-Taxis Platz 6, 60313 Frankfurt, Germany. The company is registered with the Amtsgericht Frankfurt am Main, HRB 111650. Vat number: DE321667438. Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH is authorised and supervised by the Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin").

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