



LLOYDS BANK

Target Market and Distribution Strategy for Financial Instrument Products

1. Background

Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH (“LBCMw”) manufactures and/or distributes a number of Financial Instruments (as defined in our Terms of Business) to its clients and counterparties (“you”) that are in scope for the Product Governance requirements under Markets in Financial Instruments Directive (as amended or superseded, “MiFID II”).

The Product Governance requirements of MiFID II aim to ensure that firms which manufacture and distribute Financial Instruments that act in the best interests of investors at all stages of a product’s development and distribution life-cycle. Product Governance requirements apply to all MiFID II products traded on both primary and secondary markets.

LBCMw has implemented a proportionate framework for the MiFID II Product Governance requirements and this disclosure sets out LBCMw’s view of the Target Market for certain products it manufactures and/or distributes.

Whilst MiFID II Product Governance requirements apply to both primary and secondary capital market Financial Instruments, this disclosure does not cover (i) primary market capital markets Financial Instruments and (ii) Financial Instruments where we are a co-manufacturer. For these Financial Instruments, the target market will be clearly communicated in the offering and/or transaction documentation.

The disclosure has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell the products listed below.

2. LBCMw as a Manufacturer

As a manufacturer of Financial Instruments, we are required to meet certain Product Governance obligations under MiFID II, including the identification of a target market for the Financial Instruments that we manufacture.

- LBCMw’s range of Financial Instruments may be transacted with, or distributed to, Eligible Counterparties (“ECP”s) and Professional clients, as categorised under MiFID II;
- All LBCMw Financial Instruments are manufactured and intended to be distributed to Professional and ECP clients, though certain limitations may apply to Elective Professional clients;
- If you are a Per Se Professional client or ECP dealing with LBCMw on the secondary market, we are entitled to assume that you fully understand the risks and potential adverse consequences, including the potential for unlimited losses, of each Financial Instrument that you choose to transact with us. In choosing to transact with us, you have:

COMMERCIAL BANKING

- chosen Financial Instruments manufactured and/or distributed by LBCMw from the range of Financial Instruments and/or related services available to you in the market generally;
 - carried out independent analysis of these Financial Instruments and the potential outcomes to the extent that you have considered necessary;
 - had the opportunity to request from us (and consider) the information you deem necessary or appropriate in connection with your decision to enter into a Financial Instruments transaction with us; and
 - understood the risks associated with the Financial Instruments, as well as the market factors which may cause the Financial Instruments to underperform (compared to other investments or strategies) or that may result in losses.
- An over-the-counter (“OTC”) derivative is a standalone bilateral contract and is not capable of onward distribution without the consent of all parties.
 - Where you enter into an OTC derivative transaction with us, and subsequently enter into back-to-back transactions, replicate or repackage the economics of that transaction with another counterparty, LBCMw will be the manufacturer of the first OTC transaction (even in circumstances where LBCMw has been approached with the idea for the relevant transaction). You would be the manufacturer of the second transaction and must define your target market in relation to any transactions subsequently originated with your clients.
 - LBCMw does not use third party distributors to distribute its Financial Instruments, although some firms (e.g. asset managers) may purchase products from us on behalf of its underlying clients. Refer to our Terms of Business <https://commercialbanking.lloydsbank.com/important-information/commercial-banking-regulatory-information/>.

3. LBCMw as a Distributor

Financial Instruments manufactured by LBCMw are distributed through LBCMw and Lloyds Bank Corporate Markets plc in the United Kingdom. We have obligations under MiFID II to identify the target market for Financial Instruments we distribute. Where we do distribute Financial Instruments to you, our target market is on the basis set out in the section ‘LBCMw as a Manufacturer’ as well as the definitions set out in the table below.

LBCMw only recognises clients it directly transacts with for the purpose of the MiFID II Product Governance requirements.

4. Target Market for LBCMw Financial Instruments

The target market for Financial Instruments manufactured and distributed by LBCMw is set out overleaf. There may also be instances where LBCMw transact or distribute Financial Instruments for the target market following an assessment of relevant facts and circumstances, or define a different target market.

Client Type	Products	Target Market Assessment
Eligible counterparties and per se Professional clients	Financial Instruments manufactured and/or distributed by CB Markets unless otherwise specified.	Knowledge and experience: <ul style="list-style-type: none"> • Clients who have the knowledge and experience of the respective category of Financial Instruments or sufficient knowledge of the product features and risks of the respective Financial Instrument.
Elective Professional clients	Financial Instruments manufactured and/or distributed by LBCMW unless specified, except : <ul style="list-style-type: none"> • Variable Conditional Notional (VCN) products - Any trade which contains a Variable or Conditional Notional. Structured FX Trades which fall under the VCN category will have at least one of the following features: <ul style="list-style-type: none"> • Ratio/Leverage – Any Product where the Client could be obliged to convert a larger notional than the notional they have the right to buy under the terms of the Product • Knock-Out/Zero Protection - Any Product which could leave the Client un-hedged at any point during the trade lifecycle • Extension – Any Product which has future deliveries which only occur if a pre-agreed market condition is achieved <p><i>Where an exception applies, a target market assessment is carried out as part of the sales process.</i></p>	Financial situation and the ability to bear loss: <ul style="list-style-type: none"> • Clients who have the capacity to tolerate losses up to or exceeding the capital invested and meet any additional payment obligations (for instance, margin calls). Risk tolerance and compatibility of the risk / reward profile: <ul style="list-style-type: none"> • Client's risk appetite is compatible with risk/reward profile of the Financial Instruments. • Depending on the particular Financial Instrument, clients are willing to accept the risk of losses up to, or greater than, the capital invested; also willing to accept fluctuations in price and returns. Clients' objectives and needs: <ul style="list-style-type: none"> • Clients are pursuing an investment or hedging strategy that is compatible with the terms of the Financial Instrument, including the market risk, currency, liquidity, volatility and duration. • The client is seeking to balance their hedged vs. unhedged positions to better align to the desired risk profile of their business, or has underlying wholesale market funding or liquidity requirements. Negative target market: <ul style="list-style-type: none"> • Clients that do not have an underlying needs and objectives, or do not meet MiFID categorisation, knowledge & experience or ability to bear loss or risk tolerance requirements as indicated above. Distribution strategy: <ul style="list-style-type: none"> • All distribution channels on a non-advised basis.

In line with regulations, LBCMW continuously reassess our products and upon assessment some products might no longer be available to you.