



LLOYDS BANK

Target Market, Manufacturer and Distribution Strategy for Financial Instruments

1. Background

This disclosure is relevant for clients purchasing a Financial Instrument (as defined in part III of our General Terms of Business) sold or offered by: Lloyds Bank plc and Lloyds Bank Corporate Markets plc (collectively “**Lloyds Bank**”, “**we**” or “**us**”).

Lloyds Bank manufactures or co-manufactures (where two or more companies collaborate to develop and manufacture a product) and/or distributes a number of Financial Instruments to our clients and counterparties (“**you**”).

We have varying responsibilities as a Manufacturer or Distributor as set out below.

This document explains our target market regulatory obligations (including MIFID II), and sets out:

- (i) the criteria we use to define the target market of each Financial Instrument we manufacture; and
- (ii) the target market criteria and considerations for when we distribute Financial Instruments in order to deliver good customer outcomes and take reasonable steps to ensure that Financial Instruments reach the intended target market.

This disclosure is not intended to cover:

- Other elements of our product approval process, such as how products are approved;
- Primary capital markets instruments; and
- Financial Instruments where we are a co-manufacturer.

For these instruments, the target market will be clearly communicated in the offering and/or transaction documentation.

The target market is subject to review at least annually to ensure this remains appropriate and up to date and in some instances, following our assessment, some products may no longer be available to you.

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



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2. Lloyds Bank as a Manufacturer

We act as a Manufacturer when we create, develop, or issue a Financial Instrument. Financial Instruments manufactured by us have been approved in line with their intended target market and distribution strategy.

i. Our responsibilities

For each Financial Instrument we manufacture we are required to:

- Implement, operate and maintain a product approval process that:
 - identifies the potential target market for each Financial Instrument,
 - ensures that the Financial Instruments are designed to meet the needs of an identified target market,
 - assesses the risks, including the financial risk, relevant to the identified target market, and ensures the strategy for distributing these financial instruments is compatible with the identified target market.
- Review the Financial Instruments offered at a minimum annually to take into account the events that could materially impact the potential risks associated with the product, could consequently impact its target market, and consider whether the intended distribution strategy remains appropriate, and
- Provide distributors with the necessary product information, including the identified target market of the Financial Instrument.

ii. Target market criteria

When we define the target market for Financial Instruments that we manufacture, we consider the Financial Instrument in the context of the following criteria:

- Client categorisation– Eligible Counterparties (ECPs), Professional ('Elective' and 'per se') and Retail clients as categorised in accordance with the rules in the FCA Handbook;
- Knowledge and experience;
- Financial situation and ability to bear loss;
- Risk tolerance and compatibility with the risk/reward profile of the Financial Instrument;
- Client objectives characteristics, and needs.

We define both the distribution strategy for the Financial Instrument as well as the negative target market (by specifying compatible client types and identifying groups for whom the Financial Instrument is not suitable). A negative target market refers to categories of investors for whom a Financial Instrument is deemed incompatible due to its nature or design.

Further details on all of these categories are set out in Section 4.

As a manufacturer, we draw your attention to the following:



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- Our range of Financial Instruments may be transacted with, or distributed to, Eligible Counterparties (“ECPs”), Professional (‘Elective’ and ‘per se’) and Retail clients;
- That due to their complexity, certain of our products may not be made available to Elective Professional or Retail clients or may have substantially limited distribution to Retail clients;
- We will define the target market for the Financial Instruments we manufacture and will assume that if you are a ‘per se’ Professional or ECP client, you have the required knowledge and experience to understand the risks attached to the particular products or services you transact with us;
- In choosing to transact with us, you have:
 - chosen Financial Instruments manufactured and/or distributed by us 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 transact an OTC derivative with us, and subsequently enter into back-to-back transactions, replicate or repackage the economics of that transaction with another counterparty, we will be the manufacturer of the first OTC transaction (even in circumstances where we have approached you 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.

3. Lloyds Bank as a Distributor

A Distributor is when we offer or sell a Financial Instrument that we manufacture for risk management purposes on a non-advised basis.

i. Our responsibilities

As a Distributor, we must:

- Understand the Financial Instruments that we distribute to clients, including the target market, that we sell or offer to;
- Assess the compatibility of the Financial Instruments with the needs of the clients, taking into account the manufacturer’s identified target market of end clients.



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ii. Assessment of target market

As a Distributor, we are required to meet the obligations set out above in Section 3(i), ensuring our Financial Instruments are distributed in line with the identified target market when we sell or offer a product to you.

To do this, we will consider whether you are in our target market based on:

- Client categorisation – Eligible Counterparties (ECPs), Professional (‘Elective’ and ‘per se’) and Retail clients as categorised in accordance with the rules in the FCA Handbook;
- Your knowledge and experience of the Financial Instrument;
- Your financial situation and ability to bear loss;
- Your risk tolerance and compatibility with the risk/reward profile of the Financial Instrument;
- Your objectives, characteristics and needs;
- Our distribution strategy.

Note we do not use third party distributors to distribute our Financial Instruments.

Details of this assessment are set out in Section 4.

4. Target Market for our Financial Instruments:

We have set out the target market criteria for Financial Instruments that we manufacture and distribute, see below (Table 1). There may also be instances where we transact or distribute Financial Instruments for the target market following an assessment of relevant facts and circumstances or define a different target market.

As part of our controls and procedures, we will use the factors set out in Table 1 to determine your target market and whether you meet the target market defined for a particular Financial Instrument.



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Table 1: Target Market for Financial Instruments

Client Type	Products	Target Market criteria
Eligible counterparties and per se Professional clients	All Financial Instruments manufactured and/or distributed by us unless otherwise specified.	<p>The Target Market definition and assessment considers the following factors:</p> <p>Knowledge and experience:</p> <ul style="list-style-type: none">▪ You have knowledge and experience of the Financial Instrument(s) or sufficient knowledge of the product features and risks of the respective Financial Instrument. <p>Financial situation and the ability to bear loss:</p> <ul style="list-style-type: none">▪ You have the capacity to tolerate losses up to or exceeding the capital invested and meet any additional payment obligations (for instance, margin calls). <p>Risk tolerance and compatibility of the risk/reward profile:</p>



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<p>Elective Professional clients</p>	<p>All Financial Instruments manufactured and/or distributed by us unless specified, except for non-generic and/or complex transactions which may have high, unpredictable or asymmetric market risk, including, by way of example:</p> <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 unhedged 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. 	<ul style="list-style-type: none"> ▪ Your risk appetite is compatible with risk/reward profile of the Financial Instruments. ▪ Depending on the particular Financial Instrument, you 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. <p>Clients’ objectives, characteristics and needs:</p> <ul style="list-style-type: none"> ▪ You 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. ▪ You are seeking to balance your hedged vs. unhedged positions to better align to the desired risk profile of your business, or you have underlying wholesale market funding or liquidity requirements. <p>Negative target market:</p> <ul style="list-style-type: none"> ▪ You do not have underlying needs and objectives, or do not meet client categorisation, knowledge & experience or ability to bear loss or risk tolerance requirements as indicated above. <p>Distribution strategy:</p> <ul style="list-style-type: none"> ▪ All distribution channels are on a non-advised basis.
<p>Retail clients</p>	<p>The target market assessment for our Financial Instruments will be carried out on a case-by-case basis.</p>	

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Target Market LB_LBCM_EC_ (09/2024)