

## KEY INFORMATION DOCUMENT

### Purpose

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

### Product

**PRIP Name:** Cash Settled Interest Rate Swaption

**PRIP Manufacturer:** Lloyds Bank Corporate Markets plc ("Lloyds Bank")

Call 0203 578 0064 for more information

**Website:** <http://www.lloydsbankcommercial.com>

**Competent Authority:** Lloyds Bank is regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

**Date of Production:** 10/12/2021

**You are about to purchase a product that is not simple and may be difficult to understand**

### What is this product?

**Type:** An Over the Counter (OTC) contract - Interest Rate Instrument

#### Objective:

The objective of this product is to manage adverse movements in interest rates that you may experience. Note that it may not provide you with complete protection against such exposures. The product achieves its objectives by Lloyds Bank agreeing the terms of an OTC contract with you under which you will pay an upfront cash payment (Premium) in exchange for the right, but not the obligation, to receive the cash value of a pre-agreed Reference Swap (As illustrated below) on a pre-agreed Expiry Date.

Sample parameters and pre-agreed circumstances and conditions are set out below:

Option Details		Reference Swap Details			
Trade Date	10/12/2021	Notional Amount	GBP 452,674	Lloyds Bank Receives Fixed Rate	0.8500 %
Expiry Date	12/12/2025	Start Date	14/12/2021	Lloyds Bank Pays Floating Rate	3-month GBP-LIBOR
Premium	GBP 10,000	Maturity Date	14/12/2026	Interest Periods	Quarterly

The product achieves its objectives as follows:

On the Expiry Date Lloyds Bank will compare the Reference Swap Fixed Rate (defined above) to the underlying market rate of the Reference Swap (Market Swap Rate).

If, Market Swap Rate above the Fixed Rate Lloyds Bank will make a payment to you based on the value of the net difference between the Market Swap Rate and the Fixed Rate multiplied by the Notional Amount.

If, Market Swap Rate is equal or below the Fixed Rate no payments will be made by either party.

Note that this key information document contains a worked example of the structure of the product, using a LIBOR floating rate. Our proposed trade with you may be against other floating rates, such as SONIA, but the structure of the payments due is the same.

#### Intended Retail Investor:

This product is intended for retail investors with a short, medium or long time horizon who:

- (i) have sufficient knowledge or experience to understand complex financial products; and
- (ii) have a loan and want a level of protection against adverse movements in interest rates.

#### Term:

The term of the Cash Settled Interest Rate Swaption will depend on how long you wish to protect against adverse movements in interest rates and will be agreed before you enter into the Product. The product is a bilateral agreement that cannot ordinarily be terminated unilaterally by either you or Lloyds Bank. The product terms provide that if certain events of default or other termination events occur, Lloyds Bank or you may terminate the product early. In such an event, the early termination payments described below will apply and the return (if any) you receive on such termination is likely to be different from the scenarios described in this document.

### What are the risks and what could I get in return?

#### Risk Indicator:



Lower risk

Higher risk



The risk indicator assumes you keep the product until the agreed Expiry Date. The actual risk can vary significantly if you cash in at an early stage and you may get back less. You may not be able to cash in early. You may have to pay significant extra costs to cash in early.

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you.

We have classified this product as 7 out of 7, which is the highest risk class. This rates the potential losses from future performance at a very high level. **Be aware of currency risk. Where you receive payments in a different currency the final return you get depends on the exchange rate between the two currencies. This risk is not reflected in the indicator shown above.** This product does not include any protection from future market performance so you could lose some or all of your investment.

If we are not able to pay you what is owed you could lose your entire investment.

#### Performance Scenarios:

This table shows the money you could get back over the next 5 years, under different scenarios, assuming that you invest GBP 10,000. The scenarios shown illustrate how your investment could perform. You can compare them with the scenarios of other products. The scenarios presented are an estimate of future performance based on evidence from the past, and are not an exact indicator. What you get will vary depending on how the market performs and how long you keep the product. The stress scenario shows what you might get back in extreme market circumstances, and it does not take into account the situation where we are not able to pay you. This product cannot be easily cashed in. This means it is difficult to estimate how much you would get back if you cash in before the recommended holding period. You will either be unable to cash in early or you will have to pay high costs or make a large loss if you do so. The figures shown include all the costs of the product itself. The figures do not take into account your personal tax situation, which may also affect how much you get back.

Investment: GBP 10,000		1 year	3 years	5 Years (Recommended holding period)
Scenarios				
Stress scenario	What you might get back after costs	GBP 21.08	GBP 0.71	GBP 0
	Average return each year	-99.77 %	-95.82 %	-100 %
Unfavourable scenario	What you might get back after costs	GBP 26.25	GBP 0.09	GBP 0
	Average return each year	-99.72 %	-97.9 %	-100 %
Moderate scenario	What you might get back after costs	GBP 178.51	GBP 41.6	GBP 0
	Average return each year	-98.14 %	-83.81 %	-100 %
Favourable scenario	What you might get back after costs	GBP 533.71	GBP 795.34	GBP 944.91
	Average return each year	-94.49 %	-56.86 %	-44.42 %

Average return is calculated as the Cash Settled Interest Rate Swaptions market value under each scenario divided by the Notional Amount.

#### What happens if Lloyds Bank Corporate Markets plc is unable to pay out?

You may be exposed to a risk that Lloyds Bank might be unable to fulfil its obligations in respect of the Cash Settled Interest Rate Swaption. The product is not protected by any local investor compensation or guarantee scheme. This means that if Lloyds Bank is unable to pay out, you may not receive any amount from Lloyds Bank under the product.

#### What are the costs?

The Reduction in Yield (RIY) shows what impact the total costs you pay will have on the investment return you might get. The total costs take into account one-off, ongoing and incidental costs. The amounts shown here are the cumulative costs of the product itself, over the recommended holding period. They include potential early exit penalties. The figures assume you invest £ 10,000. The figures are estimates and may change in the future.

#### Costs over time:

The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with

information about these costs, and show you the impact that all costs will have on your investment over time.

Investment Scenarios [GBP 10,000]	If you cash in at the end of the recommended holding period
Total costs	GBP 7,469.12
Impact on return (RIY) per year	24.68 %

#### Composition of costs:

The table below shows:

- the impact each year of the different types of costs on the investment return you might get at the end of the recommended holding period;
- the meaning of the different cost categories.

The costs below are the maximum values shown and will vary depending on the underlying parameters of the transaction.

This table shows the impact on return per year			
One-off costs	Entry costs	24.68 %	The impact of the costs you pay when entering your investment. This is the most you will pay, and you could pay less.
	Exit costs	0.00 %	The impact of the costs of exiting your investment when it matures.
Ongoing costs	Portfolio transaction costs	0.00 %	The impact of the costs of us buying and selling underlying investments for the product.
	Other ongoing costs	0.00 %	The impact of the costs we take each year for managing your investments.

## How long should I hold it and can I take it out early?

**Recommended holding period:** This product is designed to be held to the agreed Expiry Date in order to match your investment requirement. It is a product designed to be entered into for its term and cannot be easily sold. Early termination may occur (i) if certain events of default or other termination events occur or (ii) at the sole discretion of Lloyds Bank, in which case early termination payments may apply.

**Early exit impact:** If the product is terminated early, in whole or in part, an Early Termination Payment may become payable by Lloyds Bank. The Early Termination Payment is linked to market parameters and settlement on early termination will be specific to your Interest Rate Swaption. It will be influenced by a number of factors which include but are not limited to: whether it is an increasing or decreasing interest rate environment; the movement of the interest rates since the transaction Trade Date; the amount affected by the early termination.

**The Early Termination Payment is not a penalty charge.** The sum represents the economic value of what Lloyds Bank would have paid if the product continued as agreed.

## How can I complain?

#### Contact us

Should you have any complaints about the product, the conduct of Lloyds Bank and/or the person advising on or selling the product, please follow the below steps:

- Include the following information so we can resolve your complaint as quickly as possible: as much information as possible about your complaint; any actions you wish us to take to resolve your complaint;
- Visit us in branch or contact your Relationship Manager
- Call us on **0800 072 3572** or **+441733 462 267**
- Contact us online at <http://commercialbanking.lloydsbank.com/contact-us/>; or
- Write to us at **Lloyds Banking Group, Customer Services, BX1 1LT**

## Other Relevant Information

Additional relevant information may be set out in the confirmation, as supplemented and amended by the applicable definitions and the master agreement terms. These are available upon request from your Lloyds Bank representative. Information about your relationship with us can be found at <http://www.lloydsbankcommercial.com>.