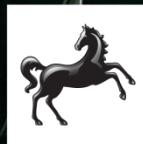


COMMERCIAL BANKING

TOM WADSWORTH

Real Estate in the East Midlands and South
Yorkshire



LLOYDS BANK

BACKING YOUR AMBITION IN THE REAL ESTATE SECTOR



Our goal is to be the best bank for our clients. We'll invest time in understanding your business, and commit to building a strong relationship focused on helping you achieve your goals.



GARETH OAKLEY

Managing Director of SME Banking, Lloyds Bank



Our strategy is built around helping you achieve your business goals. We have a dedicated team of experienced real estate relationship managers who will work closely with you to put together a financial package that is best suited to your needs.



GLEN WILSON

Head of Real Estate, Lloyds Bank





What will we fund:

- Residential Property Investment (including HMO's)
- Commercial Property Investment
- Residential Property Development
- Commercial Property Development

WHO WILL WE FUND



- Sole Traders
- Partnerships
- Limited Liability Partnership's (LLP)
- Limited Companies
- Trusts

LENDING POLICIES



Residential & Commercial Investment Finance

- LTV up to 70%
- Net Rental Income : Debt Service Cover 110% minimum

Residential & Commercial Development Finance

We will fund the LOWER of:

- 65% loan to cost
 - 60% of the Gross Development Value
 - No exit fees
-

LTV (LOAN TO VALUE) OR DSC (DEBT SERVICE COVERAGE).



- How we assess Investment property lending requests.....

Our key driver is always the customer's ability to service the debt, not the LTV.

START POINT



- Gross Rental Income (Actual).
- Evidenced by Tenancy schedules/Annual Accounts/Personal Tax Returns.



DEDUCT COSTS

- Administration and maintenance costs and expenses.
- Usually look at an average of the last 3 years, to even out exceptional costs
- Evidenced by MI/Annual Accounts/Personal Tax Returns.
- Drawings and tax payments.
- Add back any non cash items (i.e. depreciation).
- Excludes Interest costs at this time.



NET RENTAL INCOME

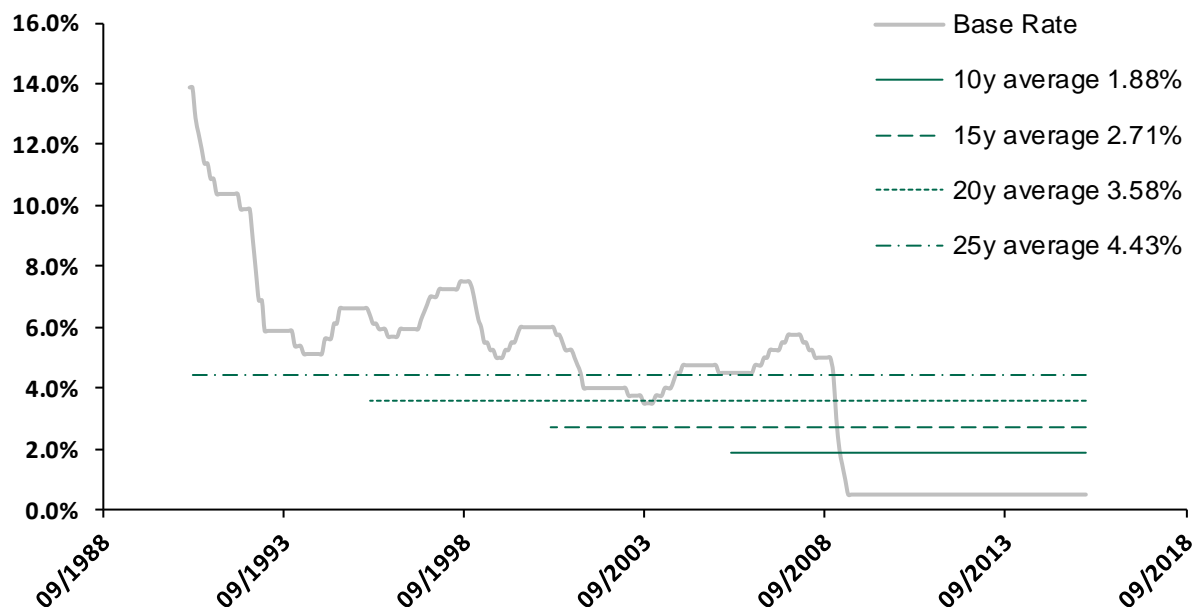
- We now arrive at Net Rental Income or cash generated and available to service debt.
- Calculate loan repayments based on amount requested/term of loan/Interest margin.
- Variable or fixed rate cost of funds.
- For variable rate loans we will sensitise the repayments assuming a base rate of 3.5%, remember we are looking at 15/25 year window, not just the next 5 years.
- Net rental should then cover stressed repayments by a minimum of 110/120%, dependent on the deal to allow for voids and unexpected costs.



BASE RATE HISTORY

- November 2002 – 4%
- August 2005 – 4.5%
- July 2007 – 5.75%
- March 2022 – Who Knows?
- March 2027- Who Knows??

MARKET OVERVIEW



Reuters Poll on Bank of England Monetary Policy

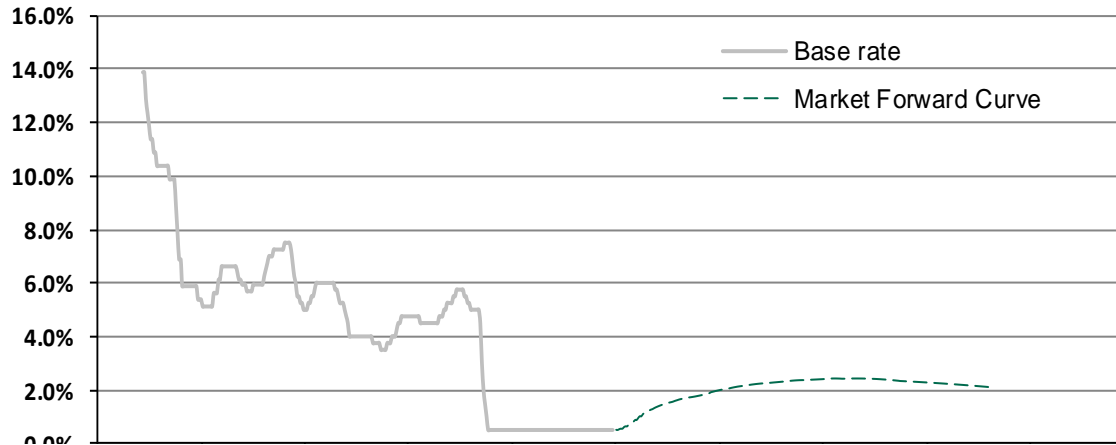
Forecast	31/03/16	30/06/16	30/09/16	31/12/16	31/03/17	31/03/17
Median	0.50	0.75	0.75	1.00	1.00	1.00
Mean	0.51	0.65	0.78	0.96	1.11	1.11
High	0.75	1.00	1.25	1.50	1.50	1.50
Low	0.50	0.50	0.50	0.50	0.75	0.75
Count	48	47	44	42	38	33

Source: Reuters Poll. Last Update 09 Dec 2015

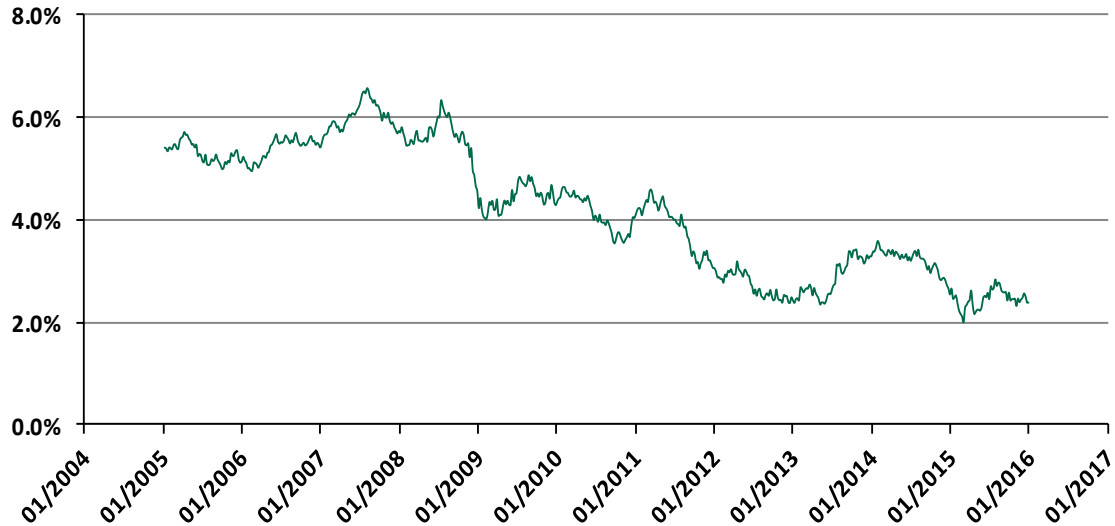
FIXED TERM OUTLOOK



Historic and market implied forward interest rates



Historic 10Y cost of funds





VARIABLE vs FIXED RATES

One of the key aspects of any loan is whether the interest rate is fixed or variable.

Variable Rate Loan

A loan where the interest cost is based on Base Rate plus the applicable Lending Margin for the entire period of the loan.

- ⊕ Allows participation in the current low interest rates and any further falls.
- ⊕ Allows a partial or full early repayment to be made to the loan without any breakage costs.
- ⊖ No protection from higher interest rates.
- ⊖ Unknown interest costs.

Fixed Rate Loan

A loan where the interest cost is fixed for an agreed period of the loan, removing any variability from the interest rate.

- ⊕ Allows for interest costs to be budgeted with certainty
- ⊕ Protection from higher interest rates
- ⊖ No participation in lower interest rate moves.
- ⊖ Potential for breakage costs if loan is terminated before maturity.

One way to look at which kind of loan is appropriate depends on your needs for certainty and flexibility through time, as well as any view on the likely future direction of interest rates.





TERM COMMITMENTS

- LBG - We are still able to commit loans for the full term of up to 25 years (due to the strength of our balance sheet), but for terms of over 5 years this will always be at a premium to shorter term commitments.
- Only UK Bank to have RICs accredited Relationship team.

CHANGES IN PROPERTY MARKET



- Tax Legislation - Interest cap increasing lending to Ltd companies
- Brexit – Impact on demand HMO/low cost housing with migrant workforce
- Licensing
- Investor Behaviour
 - 2016 70% of funding by Lloyds for investment
 - 2017 60% of funding by Lloyds for development

Larger number of clients looking to buy properties and add value via increasing yield by converting to flats, HMO or mixed use



DEVELOPMENT FUNDING

- We will fund the lower of 65% LTC or 60% GDV
- Customer contribution to go in day one
- More than 2 units bank monitoring surveyor to be appointed
- Bank funding drawn in stages against MS reports
- No exit fees

BACKING YOUR AMBITION WITH AN AWARD WINNING SERVICE



12
YEARS

BUSINESS BANK OF THE YEAR 2005 – 2016

We have been voted Business Bank of the Year at the FDs' Excellence Awards for the 12th year consecutively.

rb
THE FDs'
EXCELLENCE
AWARDS
2005-2016

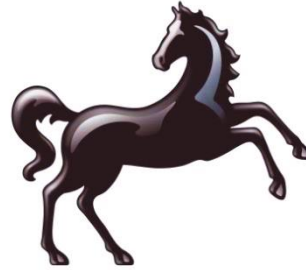
**BUSINESS
BANK OF
THE YEAR**

BEST BANK (UK) 2013 – 15

Lloyds Banking Group was voted Best Bank (UK) in 2013, 2014, 2015 at the Euromoney Awards for Excellence.

FDs' Excellence Awards supported by Real Business.
For more information, visit lloydsbank.com/bankoftheyear





LLOYDS BANK

Q & A

