

Helping you help your clients

Bank of Scotland's key criteria and minimum proposal information for term lending

We understand that finding the most appropriate financial solutions to support your client's growth can be a challenge, which is why, at Bank of Scotland, we want to make the process as easy as possible for you as our Introducers.

The following information is an indicative guide to our baseline criteria for term lending across three key sectors: healthcare, real estate and trading. Within each sector, you'll find all the information you need to gain a general understanding of Bank of Scotland's **lending criteria** prior to the submission of a proposal. You'll also see guidance on the **minimum proposal information** we require from you, tailored to each sector. This will help you package the important information needed to allow our Business Development team to provide you with indicative appetite and terms quickly.

We support all sizes of clients from start-ups to established businesses and we understand that their requirements can be different. In this document you will see lending criteria laid out according to the amount of required term lending, with any differences highlighted.

We recognise the vital part you play to help your clients access the solutions they need in order to develop and grow. Meeting these standards from the outset allows us to support you by providing a quick and thorough response.

Why introduce business to Bank of Scotland?

We're here to support you and help your clients. You will work with a dedicated Business Development Manager, as well as being aligned with specialist colleagues across each sector, so you will be fully supported by our expert team.

Your clients will be given access to our complete product range and pricing, while you can benefit from our **multi-product commission offering**, which includes **asset finance**, **invoice finance** and **card acquiring services**, to assist you in fulfilling more of your client's needs.

What happens next?

This document is intended to provide guidance only. For help in shaping the right lending product for your client, or to discuss the possibility of an exception to our standard criteria, please contact your Business Development Manager or contact our Deal Management Team on **0345 901 3121**.

To submit a new proposal, please email brokerdirect@lloydsbanking.com

What do I need to know?

- ▶ All lending is assessed and, where applicable, subject to credit scoring.
- ▶ All lending is stress tested against a base rate of 5.75%, plus the agreed margin.
- ▶ Clients will be given the option of a fixed rate or, a variable rate, or a combination of the two for loans above £25,001, which is the minimum term loan we pay commission on.
- ▶ Term lending commission is based on the arrangement fee charged against the aggregated value of loans.
- ▶ Lending over £250,000 has a commission of 67% of the arrangement fee charged.
- ▶ Our standard term lending arrangement fee is 1.5% of the loan value, and we pay 1% commission.

Arrangement fee exceptions

- ▶ Property development arrangement fees are 2%.
- ▶ Property investment arrangement fees are up to 3%.

Commission exceptions

- ▶ Lending of between £25,001 and £250,000 has a commission of 50% of the arrangement fee charged.
- ▶ Property investment commission is capped to 1.5% of the loan amount.
- ▶ Property development has a commission of 50% of the arrangement fee charged.

Definitions for acronyms used throughout this document can be found in the glossary on the final page.



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Healthcare

A key growth sector for the bank, it's our ambition to support individual practices and the sector as a whole with the right knowledge, insight and banking products. We can help your clients buy into a practice, expand their existing practice, or even acquire an existing business or premises. Our appetite for the sector is reflected in our product range, where we can offer fully and partially-amortising loans, as well as interest only and goodwill lending in certain sub-sectors.

Sector	Max LTV (lower of)	Term	DSC (EBITDA unless stated)	Guidance Notes (as applicable)
Dentists	100% Cost / MV3	1 to 25 years	125%	Fully qualified General Dental Council registered dentists
Goodwill	100% Cost / MV1	1 to 15 years		Contribution to transactions would usually be appropriate in the form of cash or equity
Retail Pharmacies	100% Cost / MV3	1 to 25 years	125%	Fully qualified General Pharmaceutical Council pharmacists
Goodwill	70% Cost / MV1	1 to 15 years		For loans of £250,000 and below, a minimum of 4,000 monthly prescription items are preferred (3,000 Wales & Scotland) For loans of £250,001 and above, a minimum of 5,000 monthly prescription items are preferred (3,000 Wales & Scotland) Up to 80% goodwill with other tangible security & full lending value cover
Doctors	100% Cost / MV3	1 to 25 years	125% for loans of £250,000 and below N/A for loans of £250,001 and above	Fully qualified, practicing General Medical Council, General Practitioners (GPs) Up to 50% interest only for loans of £250,001 and above
Veterinary Practices	100% Cost / MV3	1 to 25 years	125%	Veterinary surgeons registered with the Royal College of Veterinary Surgeons
Goodwill	80% Cost / MV1	1 to 15 years		
Children's Day Nurseries	<40 FTE places 70% Cost / MV3 >40 FTE places 70% Cost / MV1	1 to 20 years	125%	Satisfaction with inspectorate report / ratings
Care Homes Supported Living	65% Cost / MV1 / 80% MV3 70% Cost / MV3	1 to 15 years	<£1m 150% EBITDA >£1m 110% CFADS	Lending to experienced operators Minimum inspectorate rating of "Requires Improvement"

Minimum proposal information

Here is a list of the minimum information we require for all healthcare proposals that will allow us to provide you with indicative appetite and terms. As well as these core items, there will be additional information requirements depending on the sub-sector of your proposal; these are also listed below.

- ▶ Primary business activity
- ▶ Purpose of funding request
- ▶ Amount of loan
- ▶ Value of security being offered – specify freehold & goodwill value, if known
- ▶ Latest three years' financial accounts
- ▶ Agent's particulars (if a purchase)
- ▶ Statement of assets & liabilities for each individual

Additional information required by sub-sector

Dentists:

- ▶ GDC (General Dental Council) number for each individual
- ▶ Background / CV of each individual
- ▶ Confirmation if the practice is NHS or private
- ▶ If NHS – details of NHS contract

Retail Pharmacies:

- ▶ GPC (General Pharmaceutical Council) number for each individual
- ▶ Background / CV of each individual
- ▶ Number of prescriptions per month

Doctors:

- ▶ Inspectorate rating (CQC England, HIW Wales, Care Inspectorate Scotland)
- ▶ GMC (General Medical Council) number for each individual
- ▶ Notional rent figure

Veterinary Practices:

- ▶ RCVS (Royal College of Veterinary Surgeons) number for each individual
- ▶ Background / CV of each individual
- ▶ Confirmation if they offer small or large animal care, mixed or equine

Children's Day Nurseries:

- ▶ Inspectorate rating (Ofsted England, CSSIW Wales, Care Inspectorate Scotland)
- ▶ Background / CV of each individual including details of any ownership experience
- ▶ Number of FTE (Full Time Equivalent) children registered

Care Homes:

- ▶ Inspectorate rating (CQC England, CIW Wales, CIS Scotland)
- ▶ Background / CV of each individual, specifically detailing care home ownership experience
- ▶ Type of care (elderly / supported living / learning difficulties)
- ▶ Number of beds / placements

Separate terms may apply for lending above £12,500,000



Real Estate

Whether the focus is on property development, rental or refinancing, we aim to support your clients with their requirements. We have a strong appetite for commercial industrial assets as well as residential portfolios, including HMOs, student lets, and selective appetite for office and retail assets. We offer interest only and partially-amortising loans above £500,000 and can assist your clients pursue Clean Growth borrowing opportunities which carry a 0% arrangement fee and still pays commission.

Sector	Max LTV (lower of)	Term	Net Rental Cover	Guidance Notes (as applicable)
Residential Investment (including Holiday Lets of up to 2 units)	70% Cost / OMRV	1 to 25 years	115% for loans of £250,000 and below 110% for loans of £250,001 and above	PAL amortisation profile of up to 40 years Minimum PAL / interest only loan size £500k Includes HMOs / student lets Net Rental Cover (net of costs and client drawing requirements)
Commercial Investment	55% Cost / OMRV for loans of £250,000 and below 65% Cost / OMRV for loans of £250,001 and above	1 to 15 years	120% for loans of £250,000 and below 110% for loans of £250,001 and above	PAL amortisation profile of up to 18 years (blended if mix of residential and commercial) Minimum PAL / interest only loan size £500k Net Rental Cover (net of costs and client drawing requirements)
Residential Development	65% Project Costs / 60% GDV	1 to 3 years	N/A	Established developers with a proven track record Total project costs includes land purchase costs (if applicable) Clean Growth Finance Initiative offers a 0% arrangement fee to eligible clients, whilst still paying 1% commission Interest only available for up to 3 years
Commercial Development	60% Project Costs / 55% GDV	1 to 3 years	N/A	Established developers with a proven track record Total project costs includes land purchase costs (if applicable) Clean Growth Finance Initiative offers a 0% arrangement fee to eligible clients, whilst still paying 1% commission Interest only available for up to 3 years A pre-let or pre-sale will need to have been agreed

Minimum proposal information

Here is a list of the minimum information we require for all real estate proposals that will allow us to provide you with indicative appetite and terms. As well as these core items, there will be additional information requirements depending on the sub-sector of your proposal; these are also listed below.

- ▶ Borrowing entity type (e.g. Sole Trader, Partnership, Limited Company)
- ▶ Purpose of funding request
- ▶ Amount of loan
- ▶ Value of security being offered

Additional information required by sub-sector

Property Investment:

- ▶ Fully completed tenancy schedule (to contain):
 - Address
 - Year purchased
 - Type (residential / commercial)
 - If commercial - tenant name, lease expiry & next break date (if applicable)
 - Value
 - Existing mortgage outstanding (if applicable)
 - Rental income
 - Existing mortgage repayment (if applicable)
 - Latest financial accounts (if applicable)

Property Development:

- ▶ Land purchase price (if applicable)
- ▶ Estimated total project costs
- ▶ Confirmation if they will sell or retain upon completion

Separate terms may apply for lending above £12,500,000



Trading

The lifeblood of the economy; we leverage our banking strength and expertise to deliver effective industry insight across a diverse range of sectors, primarily supporting businesses that have either outgrown their current premises or are making their first purchase. We are eager to support quality businesses and this is reflected in our lending terms.

Sector	Max LTV (lower of)	Term	DSC (EBITDA unless stated)		Guidance Notes (as applicable)
			For loans of £250,000 and below	For loans of £250,001 and above	
Agriculture	70% Cost / MV3	1 to 25 years	125%	125%	Rural land based businesses, which are dependent on crop or stock farming, associated trades and horticulture including on-farm diversification Interest only loans available for lending of £250,001 and above PAL available for lending of £500,000 and above
Construction	70% Cost / MV3	1 to 15 years	175%	190%	
Haulage, Logistics and Distribution	70% Cost / MV3	1 to 15 years	200% EBITDA	110% CFADS	
Independent Schools	70% Cost / 70% MV1 / 100% MV3	1 to 10 years for loans of £250,000 and below 1 to 25 years for loans of £250,001 and above	<400 pupils 150% >400 pupils 125%		Independent Schools that belong to the Independent Schools Council or equivalent governing body
Manufacturing	Not purpose built 75% Cost / MV3 Purpose built 50% Cost / MV3	1 to 25 years	200% EBITDA	110% CFADS	
Motor Factors, Aftermarket and Auto Rentals	70% Cost / MV3	1 to 15 years	150%	165%	
Motor Retail	70% Cost / MV3	1 to 15 years	175%	190%	
Professionals (Accountants & Solicitors)	100% Cost / MV3	1 to 25 years	125%	125%	For loans of £250,001 and above, if the practice has less than 3 partners the proposal will be aligned with "other trading sectors" Partner capital loans can be provided for loans of £250,001 and above
Recruitment	70% Cost / MV3	1 to 15 years	175%	175%	
Retail	Food 70% Cost / MV1 / MV3 Non-food 65% Cost / MV1 / MV3	1 to 15 years	175%	190%	
Technology, Media & Telecomms	70% Cost / MV3	1 to 15 years	125%	125%	
Wholesale & Wholesalers	70% Cost / MV3	1 to 15 years	175%	190%	
Other Trading Sectors	70% Cost / MV3	1 to 25 years	150%	150%	

Trading is continued with Hospitality on the next page >

Separate terms may apply for lending above £12,500,000



Trading continued – Hospitality

Sector	Max LTV (lower of)	Term	DSC (EBITDA unless stated)		Guidance Notes (as applicable)
			For loans of £250,000 and below	For loans of £250,001 and above	
Bed & Breakfast and Guest Houses	70% Cost / MV1 / MV3	1 to 25 years	130%	145%	Max number of rooms to let - 8 Unlicensed, breakfast facilities only i.e. no restaurant
Camping, Caravan and Holiday Parks	70% Cost / MV1 / MV3	1 to 15 years	150%	150%	Established businesses / experienced operators owning UK-based parks
Holiday Lets (3 or more units)	70% Cost / OMRV	1 to 25 years	150%	150%	
Hotels and Motels	60% Cost / 60% MV1 / 70% MV3	1 to 15 years	London tourist 145% All others 150%	London tourist 160% All others 165%	
Pubs & Bars	60% Cost / 60% MV1 / 70% MV3	1 to 20 years	175%	190%	Customers who can provide tangible evidence of either ownership or experience in sector
Restaurants	60% Cost / 60% MV1 / 70% MV3	1 to 15 years	175%	190%	Customers who can provide tangible evidence of either ownership or experience in sector

Minimum proposal information

Here is a list of the minimum information we require for all trading proposals that will allow us to provide you with indicative appetite and terms.

- ▶ Business name
- ▶ Borrowing entity type (e.g. Sole Trader, Partnership, Limited Company)
- ▶ Confirmation if purchase is being made in their trading business or separate property business with a lease agreement in place
- ▶ Primary business activity
- ▶ Purpose of funding request
- ▶ Amount of loan
- ▶ Value of security being offered
- ▶ Turnover - above or below £5m, if known
- ▶ Confirmation if business already banks with Bank of Scotland, if known

Separate terms may apply for lending above £12,500,000

Glossary of terms

- ▶ **CFADS:** Cash Flow Available for Debt Service.
- ▶ **DSC:** Debt Service Cover.
- ▶ **EBITDA:** Earnings Before Interest, Taxes, Depreciation and Amortisation.
- ▶ **GDV:** Gross Development Value.
- ▶ **HMO:** House in multiple occupation.
- ▶ **LTV:** Loan to Value ratio.
- ▶ **MV1:** The market value of the property as a fully equipped operational entity with regards to trading potential, unless there is a more valuable alternative use.
- ▶ **MV3:** The market value of the business premises, assuming the closure and non-viability of the business. Subject to valuer considering alternative use and confirming saleability.
- ▶ **OMRV:** Open Market Rental Value.
- ▶ **PAL:** Partially Amortising Loan - a loan with a contractual maturity of either five or ten years. The capital repayments on this loan are based on a longer term repayment profile meaning that at contractual maturity, there will be an outstanding loan balance which can be substantial.

What happens next?

This document is for guidance only. For further assistance, or to discuss the possibility of an exception to this criteria, please contact your Business Development Manager or contact our Deal Management Team on **0345 901 3121**.

If you would like to submit a proposal, please email brokerdirect@lloydsbanking.com

Our service promise

If you experience a problem, we will always try to resolve it as quickly as possible. Please bring it to the attention of any member of staff. Our complaints procedures are published at: business.bankofscotland.co.uk/help/account-management/make-a-complaint

Please contact us if you would like this information in an alternative format such as Braille, large print or audio.

If you have a hearing or speech impairment you can use Relay UK. More information on the Relay UK Service can be found at: relayuk.bt.com

Calls may be monitored or recorded in case we need to check we have carried out your instructions correctly and to help improve our quality of service. Please note that any data sent via email is not secure and could be read by others.

Lending is subject to status.

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We adhere to The Standards of Lending Practice which are monitored and enforced by the LSB: www.lendingstandardsboard.org.uk and apply to businesses which have an annual turnover of no more than £25 million.

Lloyds Banking Group is a financial services group that incorporates a number of brands including Bank of Scotland. More information on Lloyds Banking Group can be found at www.lloydsbankinggroup.com