



Sterling Bonds in the New European Funding Landscape

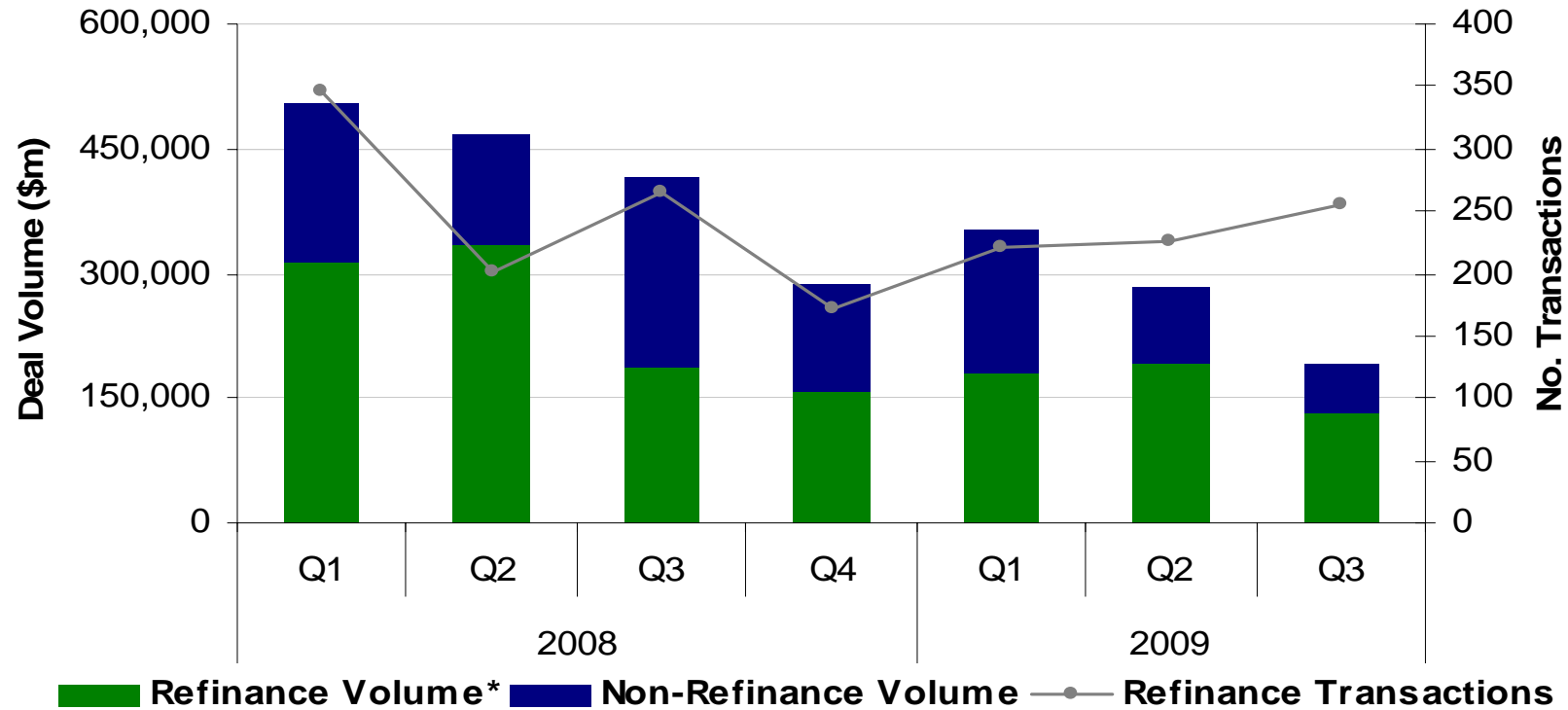
December 2009

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Introduction

- **15 months after the Lehman collapse the financial markets have undergone a paradigm shift**
- **The European corporate bond markets now match the US market in terms of depth and speed of execution**
- **Record issuance volumes have been met with record demand, and credit spreads have rallied substantially**
- **The Sterling market has blossomed in relative terms during the year demonstrating flexibility in tenor and enjoying a deep pool of liquidity**
- **European issuers are increasingly attracted by the “Rosbif” market**

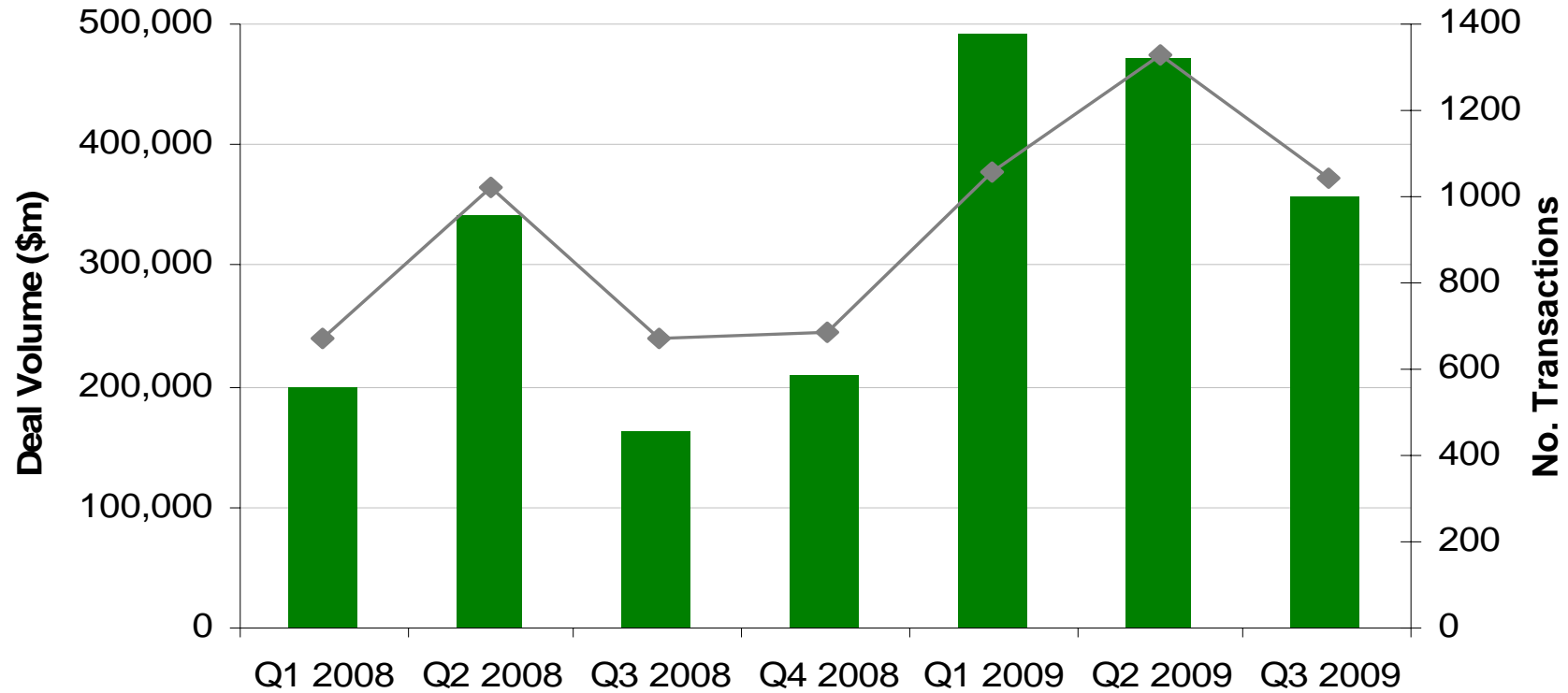
Global Syndicated Loan Volumes Sharply Down



* Note: Includes all refinancing and general corporate purpose transactions

Source: Dealogic

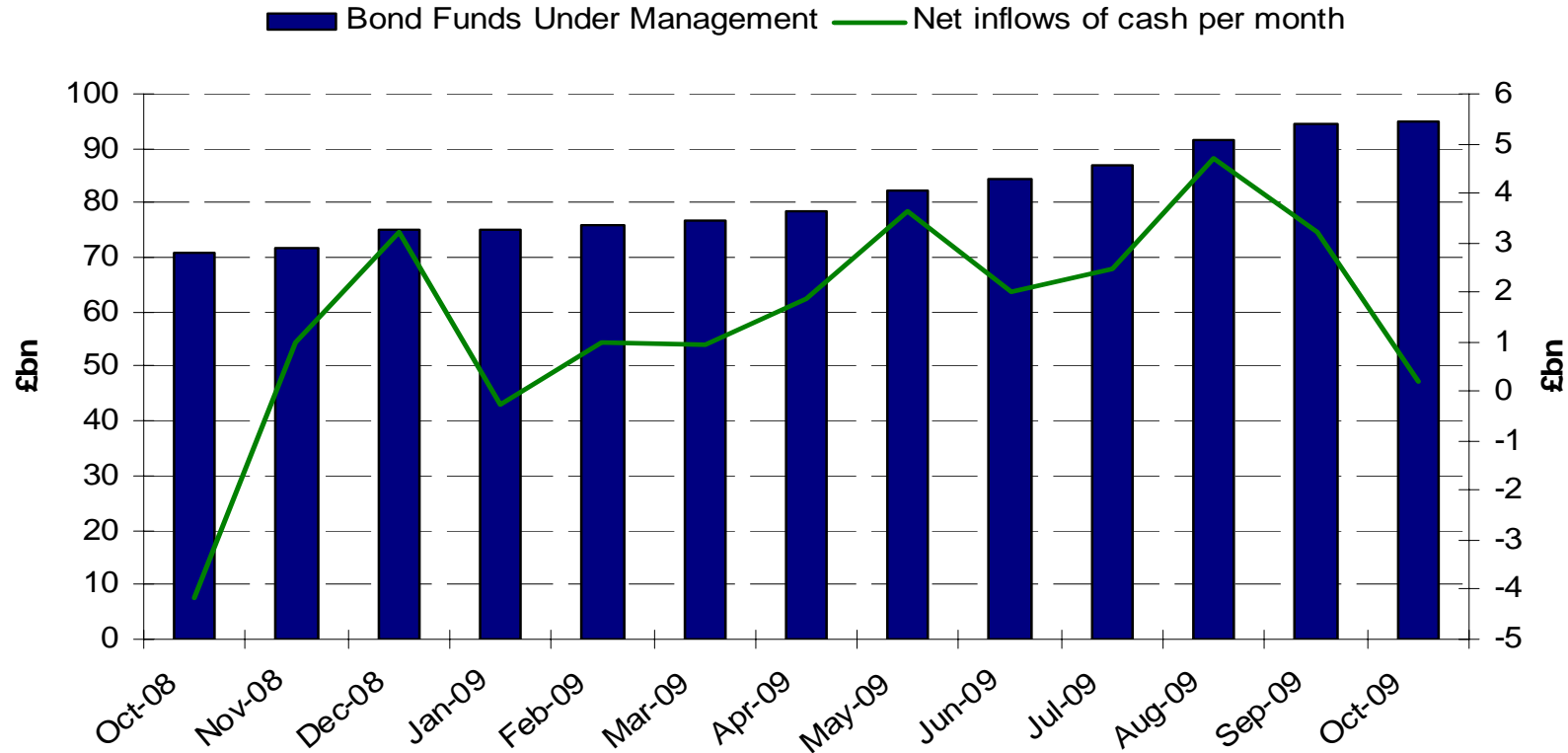
...and Global Corporate Bond Volumes Significantly up



* Note; Includes IG and HY corporate bonds across all currencies

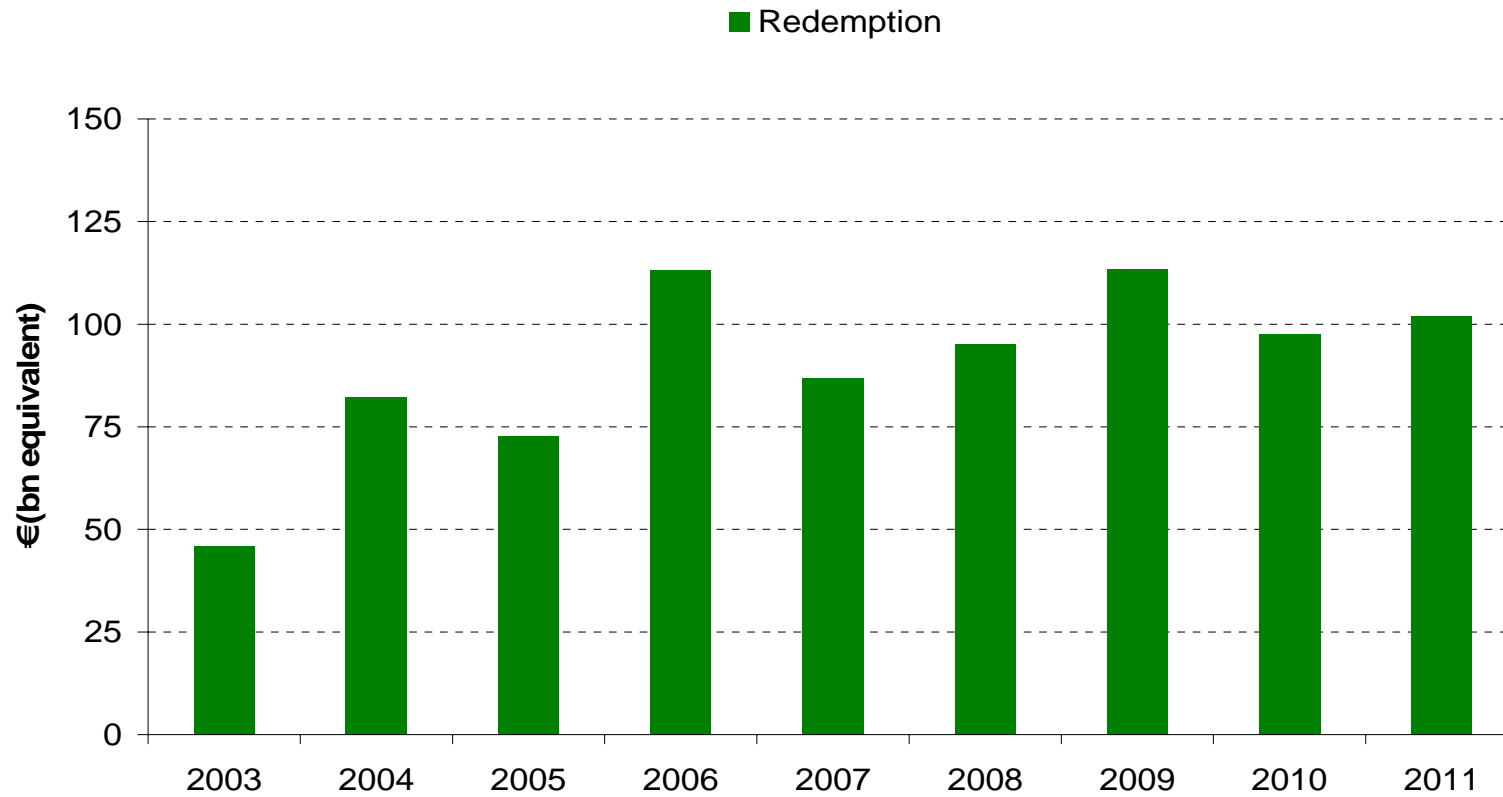
Source: Dealogic

Inflow of cash to the Sterling Bond Funds



Source: IMA

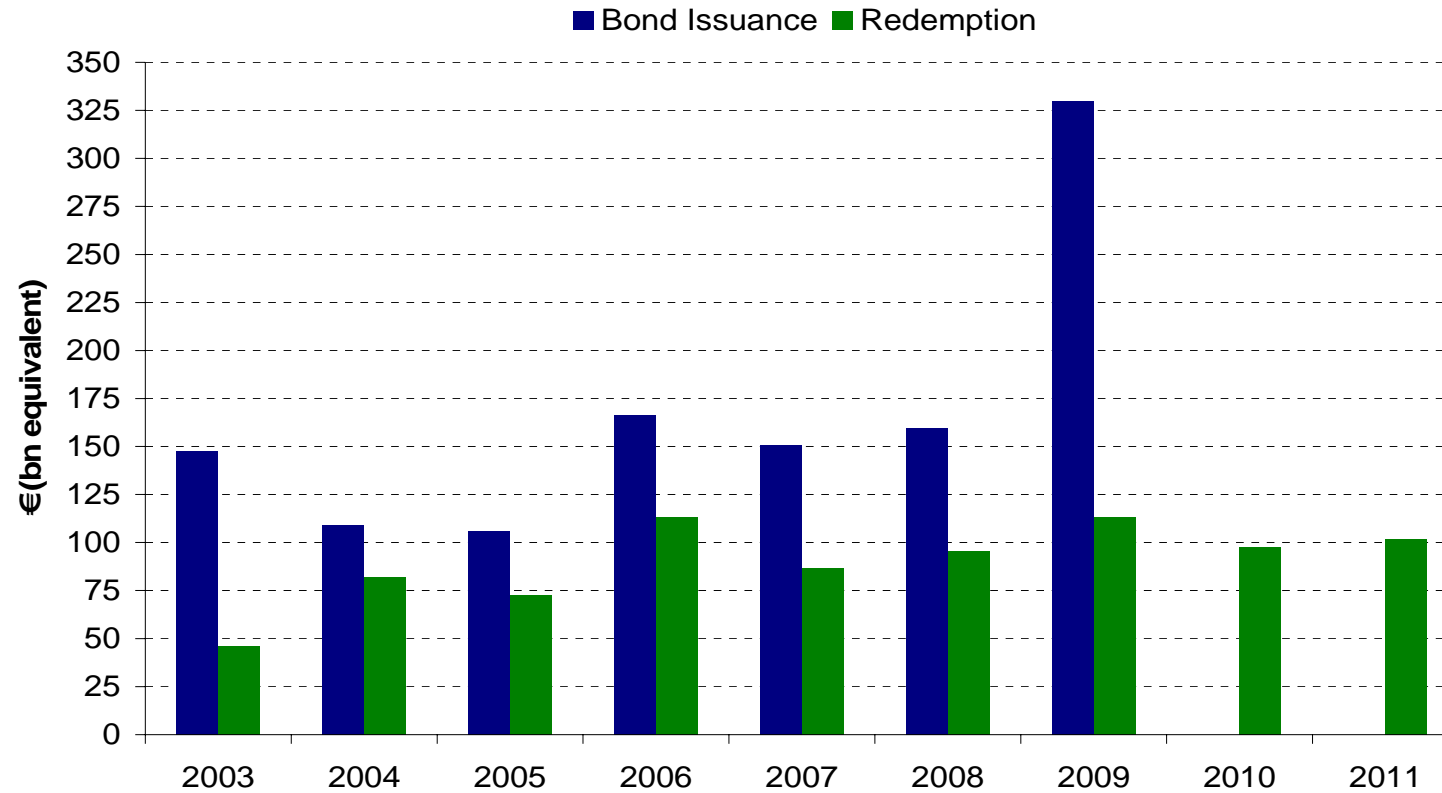
European Corporate Redemptions



Note: as of end of November 2009, corporate issuance in Euro and Sterling, excludes GE, ABS and MBS transactions

Source: Dealogic

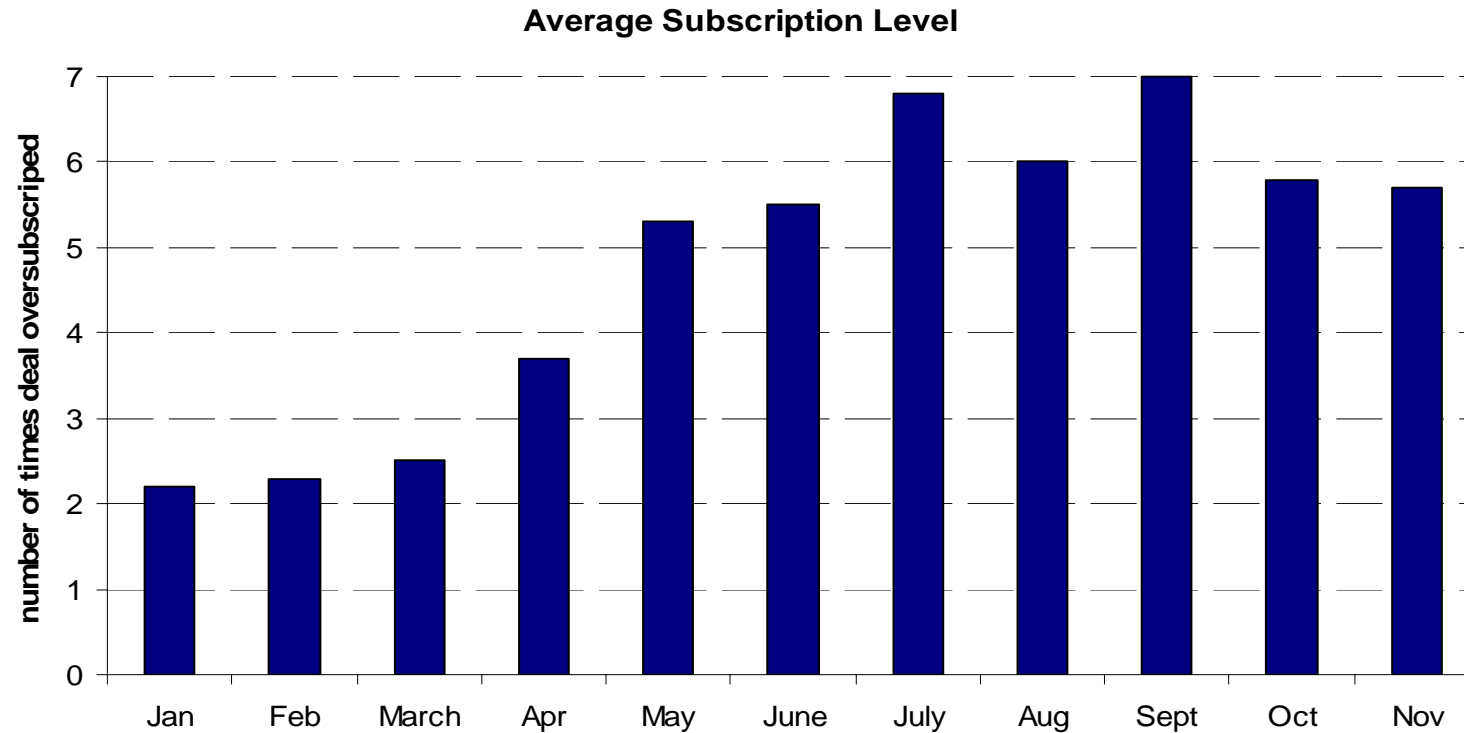
European Corporate Issuance Vs Redemptions



Note: as of end of November 2009, corporate issuance in Euro and Sterling, excludes GE, ABS and MBS transactions

Source: Dealogic

Average Subscription Levels for New issues



Note: as of end of November 2009, corporate issuance in Euro and Sterling, excludes GE

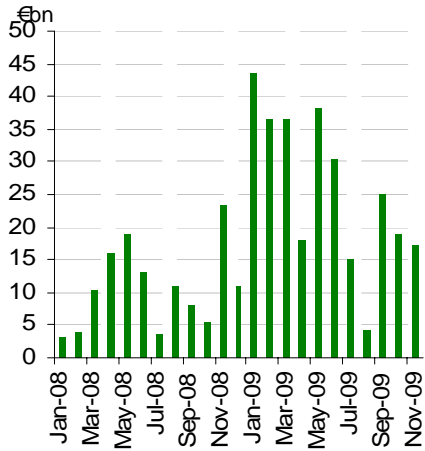
Source: Lloyds



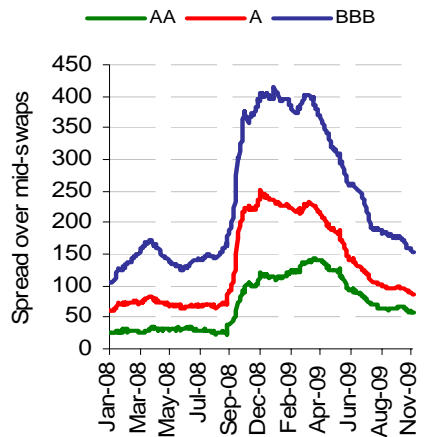
Corporate Bond Market Volumes and Spread Evolution

EUR Market Snapshot

Issuance Volumes

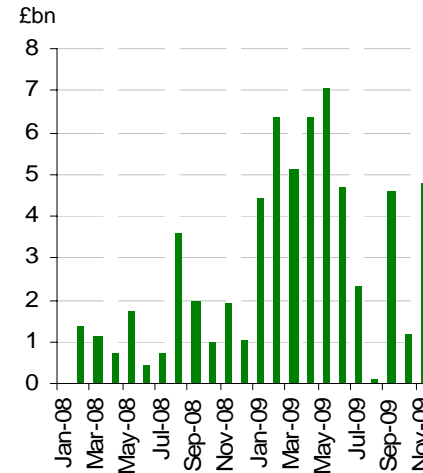


Corporate Spread Performance

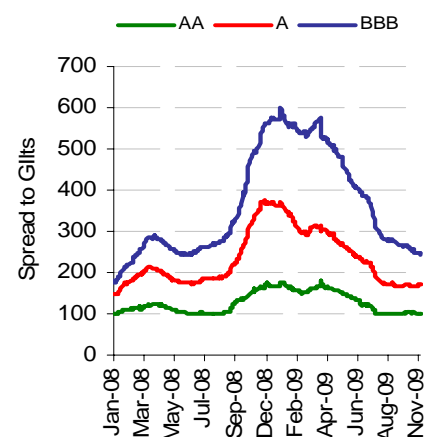


GBP Market Snapshot

Issuance Volumes

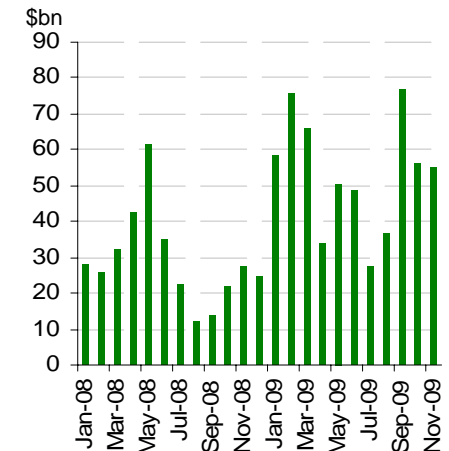


Corporate Spread Performance

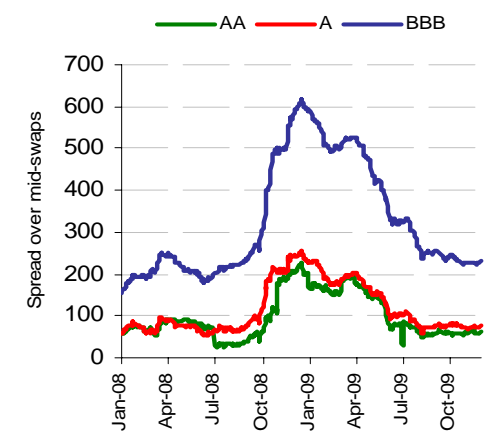


USD Market Snapshot

Issuance Volumes



Corporate Spread Performance



Source: Bloomberg, Dealogic



Jumbo size transactions available in Euro

	Issue Date	Issuer	Amount (€m)	Maturity	Tenor	Rating at Launch
2	03/07/01	Deutsche Telekom	4,500	11/07/2006	5	A-
-	19/07/99	Tecnost International Finance NV	4,500	30/07/2004	5	BBB
4	17/05/02	E.ON International Finance BV	4,250	29/05/2009	7	AA-
5	03/07/01	Deutsche Telekom	3,500	11/07/2001	10	A-
-	15/01/03	France Telecom SA	3,500	28/01/2013	10	BBB-
-	06/03/01	France Telecom SA	3,500	14/03/2008	7	BBB-
-	06/03/01	France Telecom SA	3,500	14/03/2004	3	A-
9	26/03/02	Bayer AG	3,000	10/04/2007	5	A+
-	19/01/01	British Telecommunications plc	3,000	15/02/2006	5	A
11	11/01/01	DaimlerChrysler	2,750	19/01/2004	3	A-
-	08/11/01	France Telecom SA	2,750	26/02/2005	3	BBB+
-	28/05/04	Concessioni e Costruzioni Autostrade	2,750	09/06/2014	10	A
-	25/02/09	Roche Holdings Inc	2,750	04/03/2016	7	AA-
15	19/04/02	RWE Finance BV	2,500	26/10/2007	6	A+
-	24/05/02	Deutsche Telekom	2,500	29/05/2007	5	BBB+
-	09/03/01	DaimlerChrysler International Finance BV	2,500	21/03/2006	5	A-
-	27/08/99	Mannesmann Finance BV	2,500	08/09/2004	5	A
-	11/12/02	France Telecom SA	2,500	23/12/2009	7	BBB-
-	19/03/04	Network Rail MTN Finance plc	2,500	30/03/2009	5	AAA
-	30/01/09	Volkswagen International Finance	2,500	09/02/2012	3	A-
-	06/05/09	Shell International Finance BV	2,500	14/05/2018	9	AA+
-	06/05/09	Shell International Finance BV	2,500	14/05/2013	4	AA+
-	04/09/09	Electricite de France SA - EDF	2,500	11/09/2024	15	A+
-	10/09/09	ENEL Finance International SA	2,500	14/09/2022	13	A-

Note: as of end November 2009, investment grade vanilla corporate issuance, excludes GE



Jumbo size transactions available in Euro

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Jumbo size transactions available in Sterling

15 of the top 25 largest Sterling transactions on record have come in 2009

	Issue Date	Issuer	Amount (£ m)	Maturity	Tenor	Rating at Launch
1	02/06/09	Electricite De France	1500	02/06/34	25	AA-
-	03/06/09	Pfizer Inc	1500	03/06/38	29	AA+
3	17/09/09	Enel Finance Intl SA	1400	14/09/40	31	A-
4	04/03/09	Roche Hldgs Inc	1250	04/03/15	6	AA
5	30/04/09	AT&T Inc	1100	30/04/40	31	A
6	17/02/09	Imperial Tobacco	1000	17/02/22	13	BBB
-	27/03/09	Wal-Mart Stores Inc	1000	27/03/34	25	AA
-	15/04/09	Vattenfall AB	1000	15/04/39	30	A
-	10/04/07	Glaxosmithkline Capital	1000	10/04/42	35	AA
-	19/12/06	Wal-Mart Stores Inc	1000	19/01/39	33	AA
-	29/09/04	Wal-Mart Stores Inc	1000	28/09/35	31	AA
-	19/12/01	Glaxosmithkline Capital	1000	19/12/33	32	AA
13	29/05/02	E.On Intl Finance Bv	975	07/06/32	30	AA-
14	26/04/02	RWE Finance Bv	950	03/06/30	28	A+
15	24/02/09	Tesco Plc	900	24/02/22	13	A-
-	30/10/07	E.On Intl Finance Bv	900	30/10/37	30	A
17	17/09/09	Enel Finance Intl SA	850	14/08/24	15	A-
-	17/09/09	Koninklijke KPN Nv	850	17/09/29	20	BBB+
-	24/06/04	Telecom Italia Spa	850	24/06/19	15	BBB+
20	11/03/09	Statoilhydro Asa	800	11/03/31	22	AA
-	08/06/07	Gaz Capital Sa	800	31/10/13	6	BB
22	30/04/09	AT&T Inc	750	28/04/17	8	A
-	12/05/09	France Telecom	750	12/05/16	7	A-
-	26/05/09	Telecom Italia Spa	750	15/12/17	8	BBB
-	02/02/06	Telefonica Emisiones Sau	750	02/02/18	12	A-

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Jumbo size transactions available in Sterling

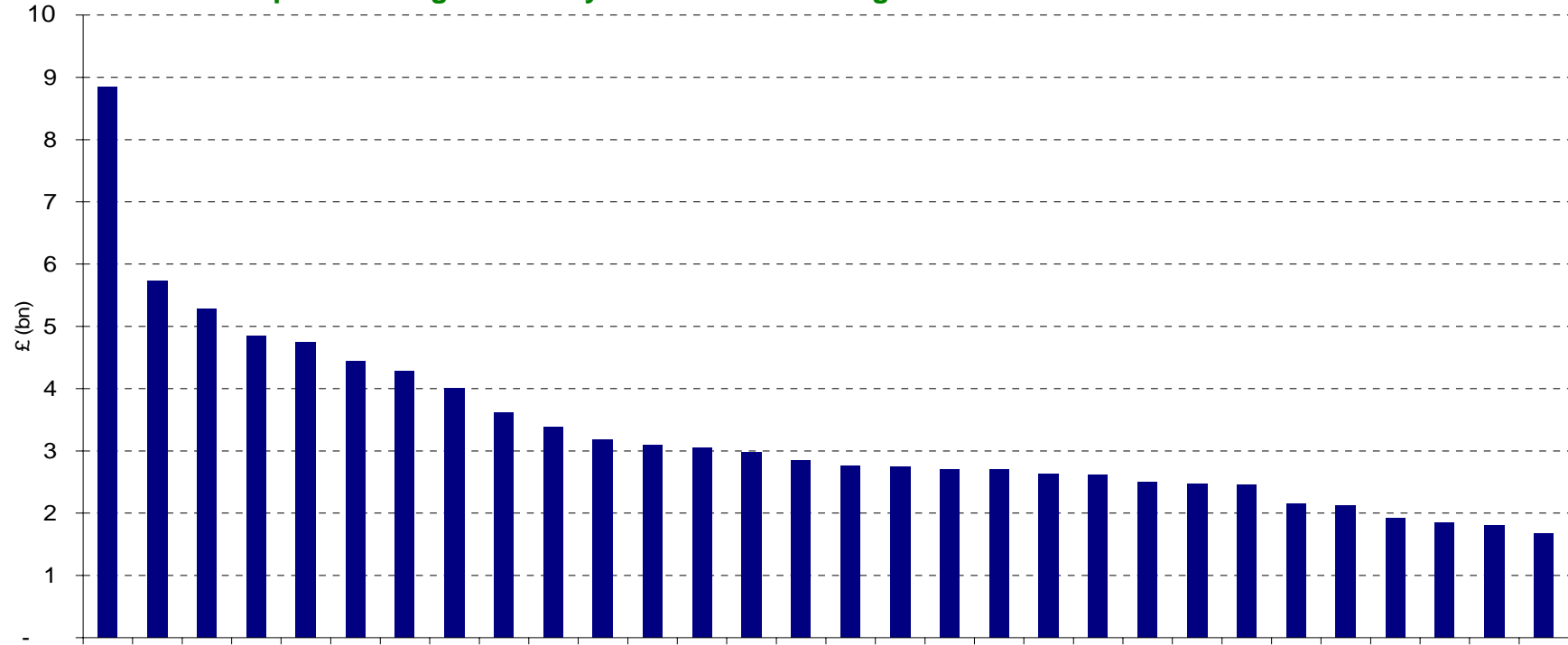
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Note: as of end November 2009, investment grade vanilla corporate issuance, excludes GE

Significant capacity in Sterling

Top 30 Sterling issuers by amount outstanding

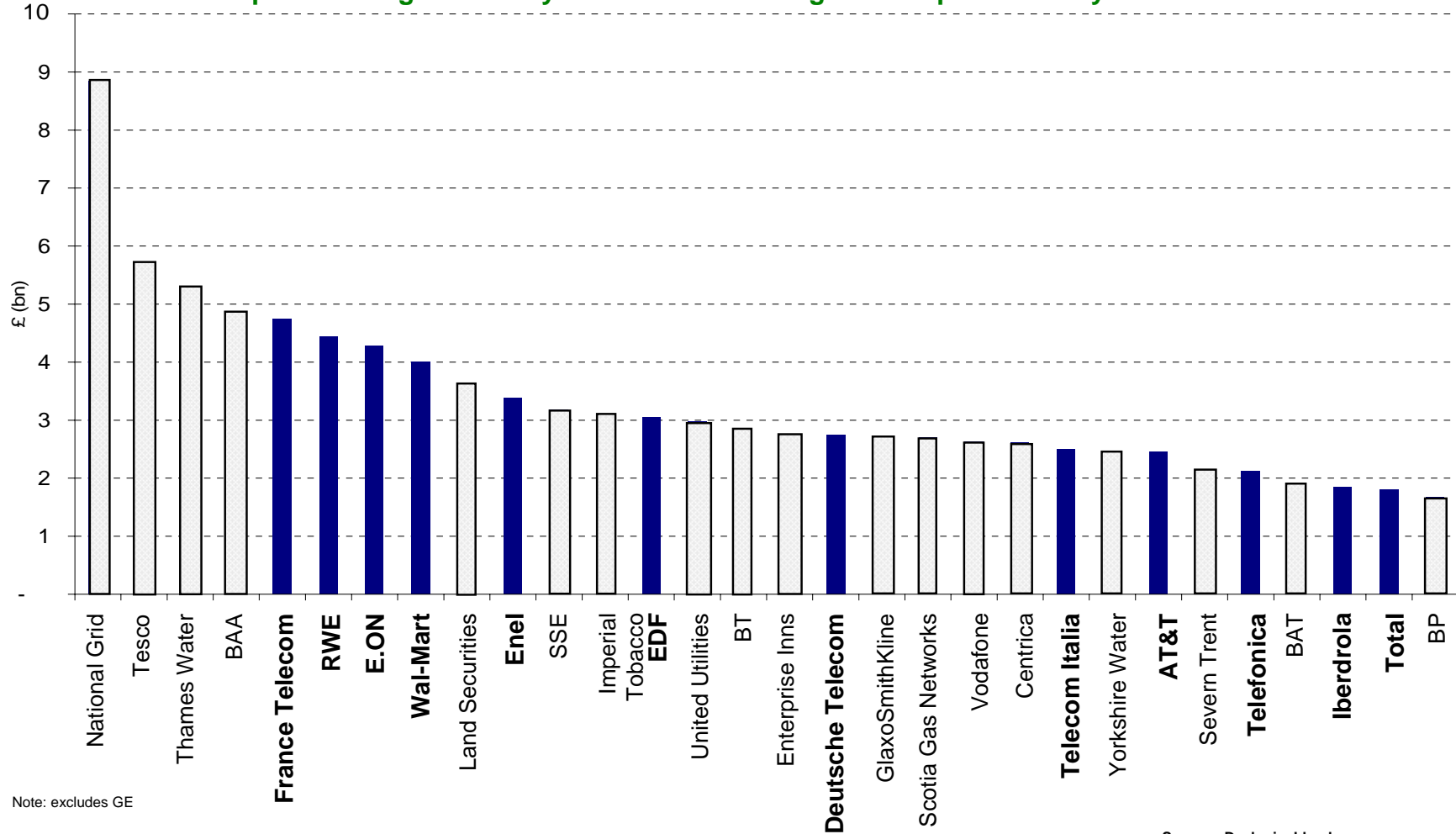


Source: Dealogic, Lloyds

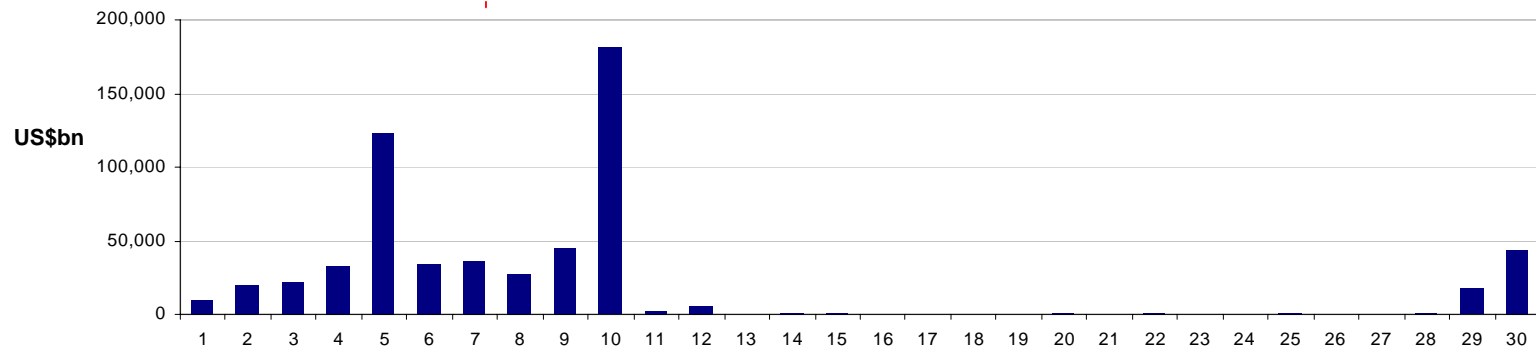
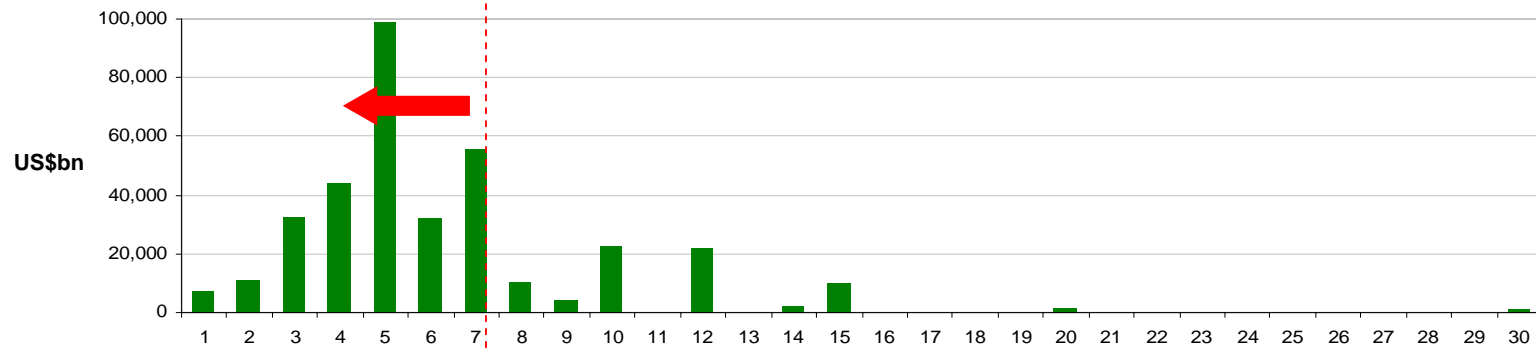
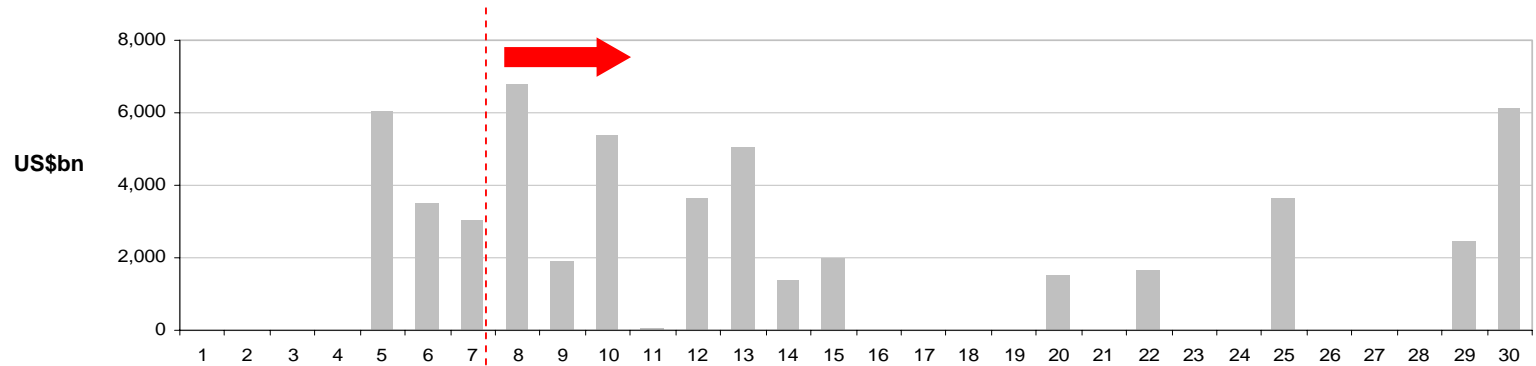
Note: excludes GE

Significant capacity in Sterling

Top 30 Sterling issuers by amount outstanding - 40% represented by non-UK issuers



Sterling demonstrates its flexibility in tenor

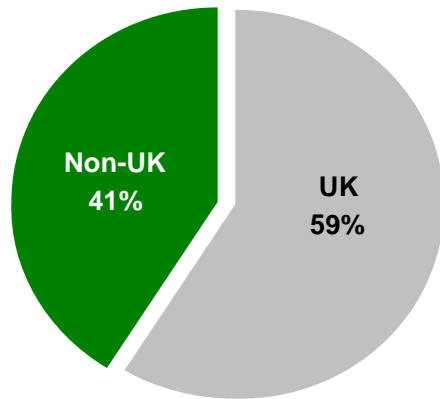


Note: Charts include all 2009 corporate issues, excl. issues with maturities longer than 30yrs

Source: Dealogic, Lloyds

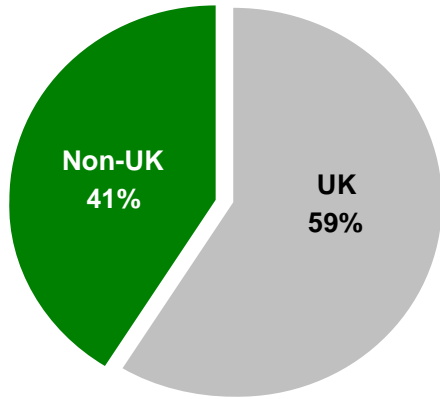
Increasingly Important International Market

2007 GBP Issuance: £15.3bn

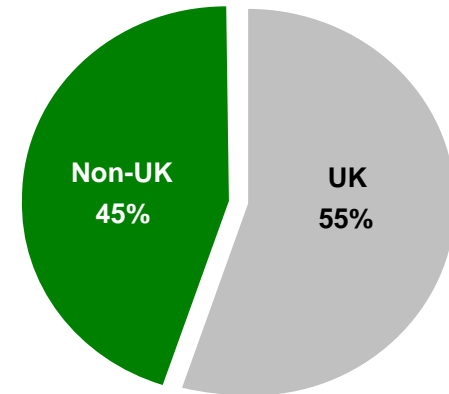


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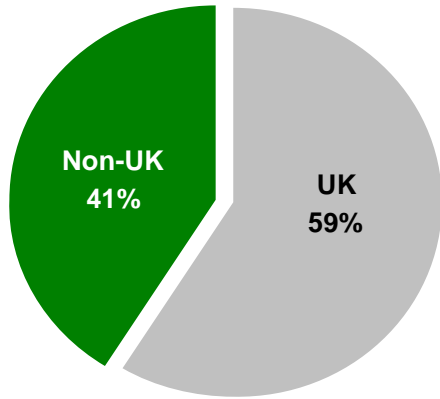


2008 GBP Issuance: £14.4bn

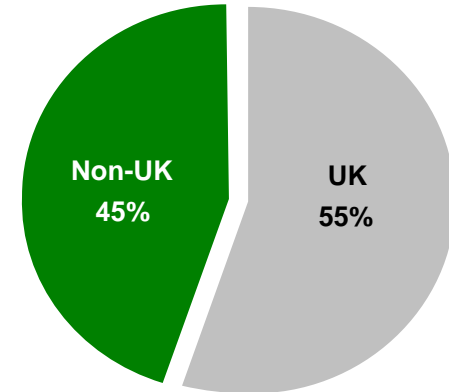


Increasingly Important International Market

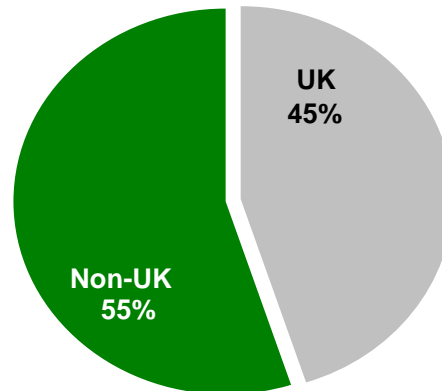
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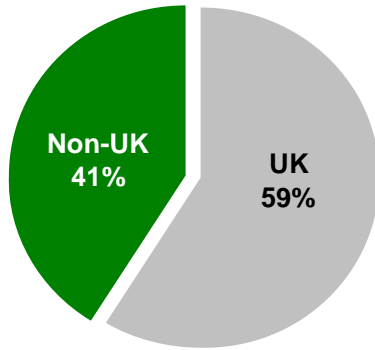


2009 YTD GBP Issuance: £47bn

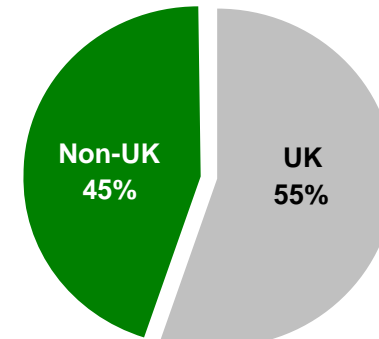


Increasingly Important International Market

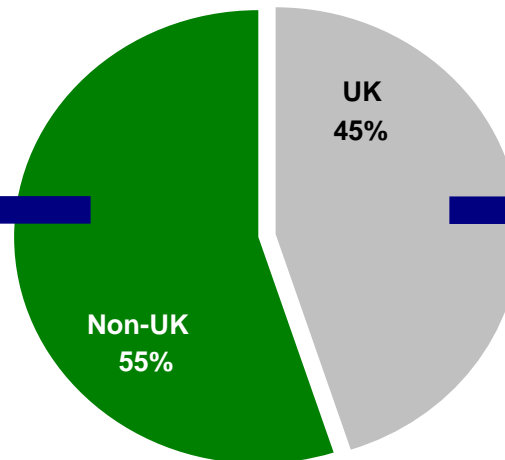
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2009 YTD GBP Issuance: £47bn



Top Non-UK Issuers in GBP

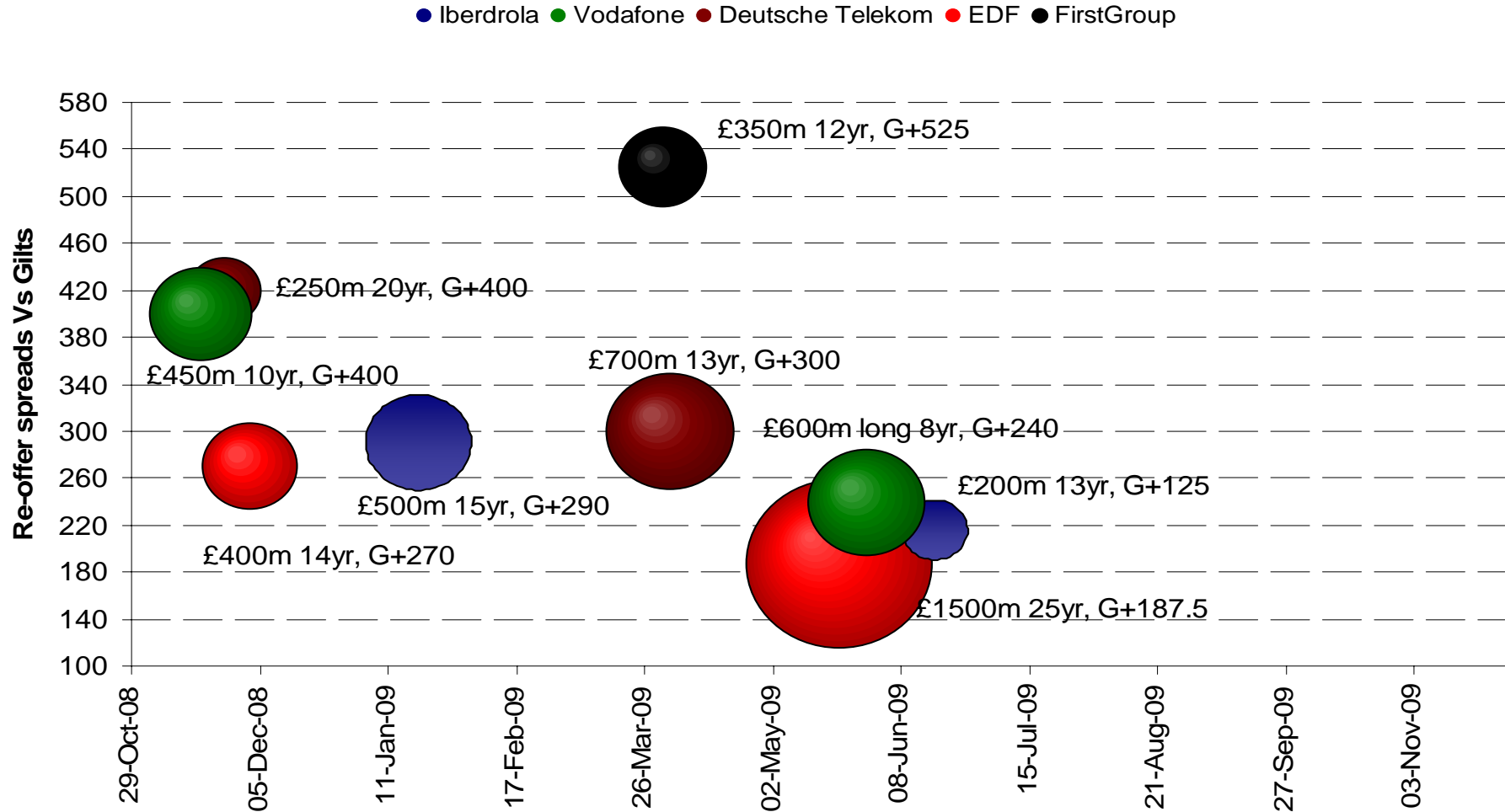
Issuer	2009 Volume
ENEL	£2.25bn
AT&T	£1.85bn
RWE	£1.5bn
Pfizer	£1.5bn
EDF	£1.5bn
Vattenfall	£1.35bn
Roche	£1.25bn
E.On	£1.05bn
Wal-Mart	£1bn
KPN	£850m

Top UK transactions in GBP

Issuer	2009 Volume
Tesco	£1.5bn
Imperial Tobacco	£1.5bn

Source: Dealogic, Lloyds

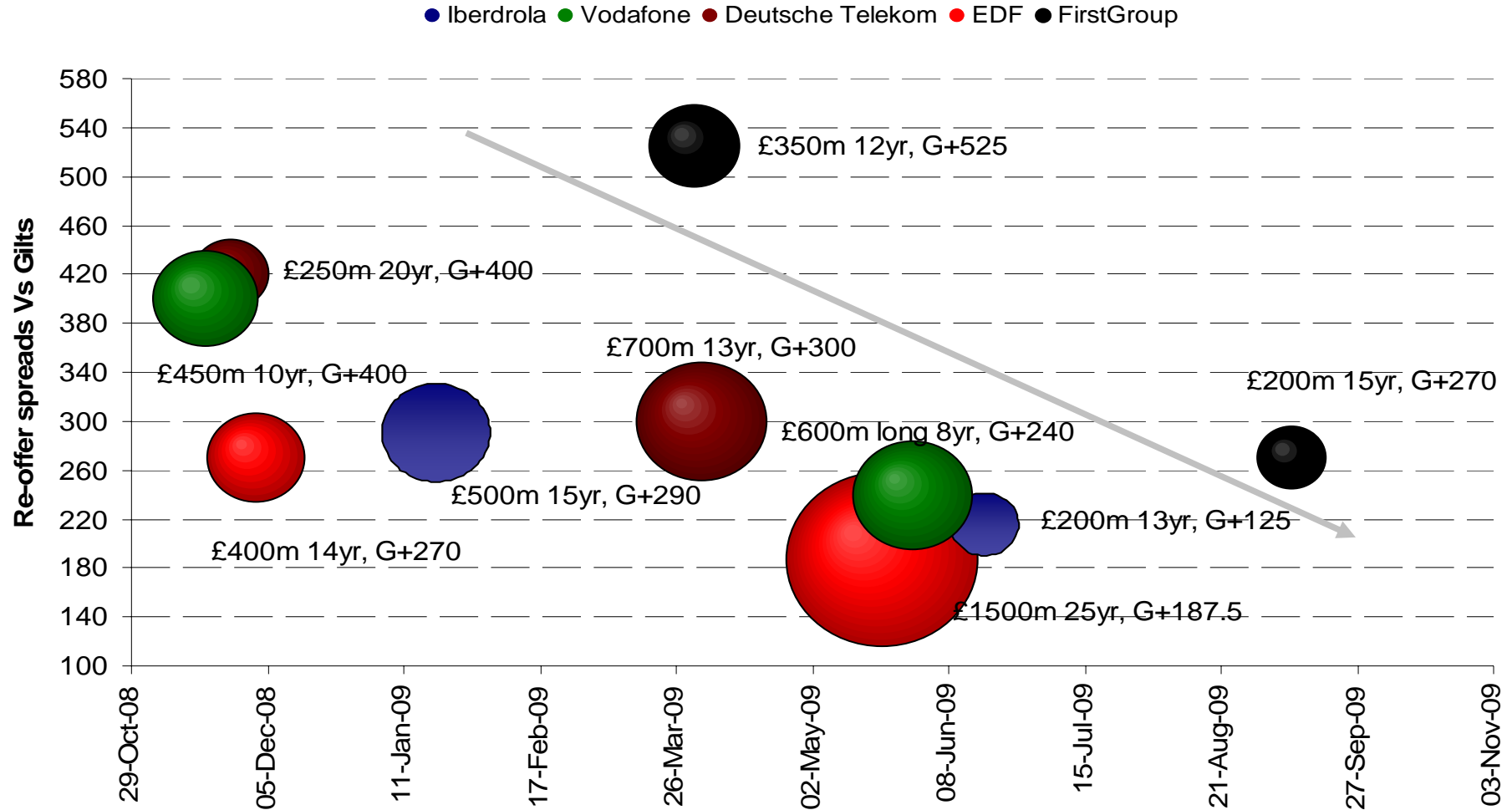
Tighter Pricing, Longer Maturities and Deeper Liquidity



Note: as of end November 2009

Source: Lloyds

Tighter Pricing, Longer Maturities and Deeper Liquidity



Note: as of end November 2009

Source: Lloyds

Conclusion and key themes for 2010

- **The positive performance of the European markets is expected to be sustained and will continue to be driven by technical factors**
- **A resurgence of M&A activity could prompt a significant increase in bond issuance volumes**
- **Potentially wider access for Unrated and High Yield issuers, if market conditions remain favourable**
- **Return of inflation and rise in government benchmark yields**
- **Liability management exercises will continue to be a theme in the Corporate markets**
- **[Potential] reopening of the hybrid market, as Corporates look to repair their balance sheets and investors search for yield**
- **Pick up in financial issuance as banks face refinancing risks over the next 3 years which could have a negative impact on corporate demand**



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December 2009

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