



WRITTEN NOTICE

FX HEDGING PERMISSION

To: Lloyds Bank Plc (FRN 119278) on a consolidated, sub-consolidated and solo consolidated basis
Bank of Scotland Plc (FRN 169628)
Lloyds Bank Corporate Markets Plc (FRN 763256)

("the firm")

Reference Number: 00001524; 00001525; 00001523

Date: 23 December 2019

DECISIONS

1. In accordance with the discretions afforded to the PRA by Article 352(2) of Regulation 575/2013 of the European Parliament and of the Council of 26th June 2013 on prudential requirements for credit institutions and investment firms (the "CRR"), the PRA has decided to grant the firm the permission to exclude positions which it has deliberately taken in order to hedge against the adverse effect of the exchange rate on its ratios in accordance with Article 92(1) from the calculation of net open currency positions on the terms and conditions set out in Annex 1 (the "FX Hedging Permission").
2. If the firm ceases to comply with the conditions set out in Article 352(2) of the CRR and the terms and conditions of the FX Hedging Permission set out in Annex 1, the PRA will re-consider the terms and conditions of the FX Hedging Permission, or revoke this FX Hedging Permission in whole or in part.
3. The FX Hedging Permission takes effect on 23 December 2019.

Supervision, Risk and Policy Committee
Prudential Regulation Authority

PROCEDURAL MATTERS

4. If you wish to challenge the decisions taken by the PRA in relation to the FX Hedging Permission, you may refer the matter to the Upper Tribunal.
5. Details of the FX Hedging Permission will be published on the Financial Services Register.

PRA contacts

6. For more information concerning this matter generally, the firm should contact Chris Potts at 0203 461 7018.

ANNEX 1

THE FX HEDGING PERMISSION

Definition

1. The FX Hedging Permission means the firm may exclude positions which it has taken in order to hedge against the effect of the exchange rate movements on its capital ratios in accordance with Article 92(1) from the calculation of net open currency positions on the terms and conditions set out in paragraphs below.
2. The FX Hedging Permission will exempt positions from market risk capital requirements only up to the maximum required to neutralise the sensitivity of the capital ratio to movements in exchange rates based on the current capital ratio and existing currency RWAs (credit and non-credit).
3. This permission to exclude positions from Pillar 1 market risk is restricted to the following currencies:
 - USD
 - EUR
4. Any changes in the firm's practices and procedures in respect of the implementation of the FX Hedging Permission set out in the Appendix of their application for this FX Hedging Permission must be notified to the PRA as soon as possible.