

WRITTEN NOTICE

INTEREST RATE RISK (IRR) MODEL PERMISSION

To: Lloyds Bank Plc (FRN 119278), Bank of Scotland (FRN 169628) (the “firms”)

Of: 25 Gresham Street London EC2V 7HN UNITED KINGDOM, The Mound
Edinburgh Midlothian EH1 1YZ UNITED KINGDOM

Ref: 00006433 & 00006434

Date: 5 June 2023

DECISIONS

1. In accordance with the discretions afforded to the PRA by Article 331 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms as it forms part of retained EU law (the “CRR”), the PRA has decided to grant the firms the permission to use sensitivity models to calculate positions in derivative instruments for the purposes of its calculation of own funds requirements for market risk on the terms and conditions set out in Annex 1 (the “IRR Model Permission”).
2. If the firms cease to comply with the conditions for granting of this IRR Model Permission set out in Article 331 of the CRR, the terms and conditions of the IRR Model Permission set out in Annex 1, the PRA will re-consider the terms and conditions of the IRR Model Permission and the requirements relevant to it, including a revocation of the IRR Model Permission in whole or in part.
3. The IRR Model Permission takes effect on 5 June 2023.



PROCEDURAL MATTERS

4. The decision which gave rise to the obligation to give this Notice was made by Anna Ghobadian-Grinham, Head of Department, Domestic Systematically Important Banks.
5. Details of the IRR Model Permission will be published on the PRA Register. The full text of this Decision Notice will not be published.
6. Further details of procedural matters are contained in Annex 2.

ANNEX 1

THE INTERNAL MODEL APPROACH PERMISSION

Legal Entities

7. The IRR Model Permission means that the firms may use on a solo and, in respect of in respect of for the legal entities listed in Table 1, on a consolidated basis, the internal model approach in its calculation of own funds requirements for market risk in relation to the risk categories in accordance with Article 331 of the CRR.

Table 1

Legal entity	Individual/ Consolidated
Lloyds Bank Plc	Solo and consolidated
Bank of Scotland	Solo and consolidated

Note on disclosure

8. The PRA has decided not to publish the full text and annexes of the Option Delta Permission notices as it has been deemed inappropriate and unnecessary. In particular, to do so might prejudice, to an unreasonable degree, the commercial interests of the firms concerned.
9. However, in the interests of transparency, the PRA's policy is to publish an abridged version of the permission notice, as a record that the Option Delta Permission has been granted.