

### WRITTEN NOTICE: IRB PERMISSION

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**To:** Lloyds Banking Group Plc (FRN: 203491)  
(the “company”).

**Of:** 25 Gresham Street  
London  
EC2V 7HN

**Date:** 23 December 2021

#### DECISIONS

1. On 27/12/2007 Lloyds Bank Plc and Bank of Scotland Plc were granted an IRB waiver under s138A of the Financial Services and Markets Act 2000 (the “Act”) by the Prudential Regulation Authority (“PRA”). In accordance with Waivers Transitional Provisions 2.1(2) of the PRA Rulebook Lloyds Bank Plc and Bank of Scotland’s IRB waiver took effect on 1 January 2014 as permissions granted by the PRA under Chapter 3, Title II, Part Three 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 permission was carried over to Lloyds Bank Corporate Markets Plc on 28 May 2018. The permission applied on the consolidated basis of Lloyds Bank Plc, Bank of Scotland Plc and Lloyds Bank Corporate Markets Plc (each a “firm” and together the “firms”). The company has been granted the permission to calculate its risk weighted exposure amounts using the Internal Ratings Based Approach (“IRB Approach”) on the terms and conditions set out in Annex 1 and (the “IRB Permission”).
2. If the company ceases to comply with the conditions for granting of this IRB Permission set out in Chapter 3, Title II, Part Three of the CRR, the terms and conditions of the IRB Permission set out in Annex 1, the PRA will re-consider the terms and conditions of the IRB Permission and the requirements relevant to it, including a revocation of the IRB Permission in whole or in part.
3. The IRB Permission takes effect on 12 December 2021.
4. Details of the IRB Permission will be published. The full text of this Written Notice will not be published.

The decision was taken by SRPC.



## **ANNEX 1**

### **THE INTERNAL RATINGS BASED PERMISSION**

#### **Legal Entities**

1. The IRB Permission means that the company may apply the internal ratings based approach to the legal entities in its calculation of own funds requirements on the following basis:
  - a. **on its consolidated situation in respect of:**  
Lloyds Bank Plc  
Bank of Scotland Plc  
and any other firm authorised by the PRA or FCA within the LBG Group consolidation in accordance with Part One, Title II, Chapter 2.
2. The company must calculate its risk-weighted exposure amounts for the categories of exposure identified in Table 1 of Schedule 1 (with the exception of the permanent exemptions and any exposures still subject to sequential implementation) using the IRB Approach, to the extent, in the manner and subject to the conditions set out in this IRB Permission, and in accordance with Table 1 in Schedule 1.

#### **Ratings Systems**

3. The company is permitted to use the ratings systems and internal models approaches to equity exposures (together the “Ratings Systems”) as specified in the documentation contained in the firm’s IRB case file (reference ACTS 31450) comprising its IRB application documentation, as modified by all changes and specifications notified to the firms and the company by the PRA, including those specified in this IRB Permission Notice, all changes and extensions notified by the firms and the company and accepted by the PRA, and all material changes and extensions for which permission has been granted by the PRA noted in Annex 2.

#### **Permanent partial use under CRR Article 150**

4. The company is permitted to apply the Standardised Approach for the exposures in accordance with Article 150 of the CRR.

#### **Reversion to the Standardised Approach under CRR Article 149**

5. The company is permitted to revert to the use the Standardised Approach for the calculation of risk-weighted exposure amounts for certain exposure classes or types of exposure.

#### **Reversion to CRR Article 151(8) LGD/Conversion factors under CRR Article 149**

6. This paragraph does not apply to this IRB Permission.

#### **Sequential implementation**

7. The company is permitted to implement the IRB Approach sequentially in accordance with Article 148 of the CRR.
8. The company is required to submit their application for the IRB Approach for all exposures subject to sequential implementation by 31 December 2024.

**Treatment by exposure class**

9. The company is permitted to use the approach in Article 155(2) for equity exposures as set out in Table 1 of Schedule 1.
10. The company is permitted to use its own estimates of LGDs and conversion factors for the exposure classes as set out in Table 1 of Schedule 1.

**Maturity under CRR Article 162**

11. To the extent that the company does not have permission to use own estimates of LGDs and conversion factors it shall calculate maturity as set out under CRR Article 162(2) and (3).

**Definition of default under CRR Article 178**

12. 90 days is replaced with 180 days in CRR Article 178(1)(b) for exposures secured by residential real estate in the retail exposure class.

**Unfunded credit protection**

13. The company may recognise unfunded credit protection by adjusting PD and / or LGD.

**Eligible collateral under CRR Article 199**

14. The company may use as eligible collateral types of physical collateral other than those indicated in paragraphs 2, 3 and 4 of Article 199 of the CRR where permission is or has been granted in accordance with paragraph 6 of Article 199.

**Further specifications**

15. This paragraph does not apply to this IRB Permission.

**Material, significant and other changes**

16. In accordance with Article 143(3), (4) of the CRR and the Delegated Regulation (EU) No 529/2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for assessing the materiality of extensions and changes of the Internal Ratings Based Approach and the Advanced Measurement (as amended) as these form part of retained EU law,

(1) the company will require a further permission from the PRA in respect of the following changes to the IRB Permission:

- (a) material changes to the range of application of a ratings system or an internal models approach to equity exposures; or
- (b) material changes to a ratings system or an internal models approach to equity exposures; and

(2) the company must notify the PRA of all changes to ratings systems and internal models approaches to equity exposures subject to the IRB Permission.

17. In accordance with Article 143(3) of the CRR, the PRA has granted permission for material changes as set out in Annex 2.

## SCHEDULE 1

### High level scope and coverage of IRB permission.

The PRA has granted the IRB permission for the categories and types of exposures identified in Table 1 below with the exception of the permanent exemptions. Exposure classes that are not applicable to the company are marked N/A.

**Table 1**

<i><b>IRB exposure classes</b></i>	<i><b>Sub-classes (&amp; Art 155 approaches, if applicable)</b></i>	<i><b>Country</b></i>	<i><b>Own estimates of LGDs and Conversion Factors (tick if apply)</b></i>	<i><b>Additional provisions/</b></i>
Exposures to central governments and central banks	All sub-classes defined in CRR Article 147(2)(a), as further described in Article 147(3)	All countries		
Exposures to institutions	All sub-classes defined in CRR Article 147(2)(b), as further described in Article 147(4)	All countries		
Exposures to corporates	SME	All countries		
	Specialised Lending as described in Article 147(8)			
	Other			
Retail exposures	Secured by real estate SME	All countries	✓	
	Secured by real estate non-SME			
	Qualifying revolving			
	Other SME			
	Other non-SME			
Equity exposures	All as described in Article 155(2)	All countries		
Items representing securitisation positions		All countries		Treated according to hierarchy of methods in Article 259 including the use of the Internal Assessment Approach for ABCP
Other non-credit obligation assets	All	All countries		

## **ANNEX 2**

### **VERSION CONTROL SCHEDULE**

#### **NOTICES OF MATERIAL CHANGES AND EXTENSIONS TO IRB PERMISSION**

<b>Version</b>	<b>Comment</b>	<b>Date</b>
1.0	IRB Permission granted	27.12.2007
2.0	A material change to the permission	08.05.2009
3.0	Inclusion of HBOS Group firms in Retail IRB and Foundation waiver Direction. Roll out plan	31.12.2010
4.0	A material change to the permission	23.03.2012
5.0	A material change to the permission	9.05.2014
6.0	A material change to the permission	24.07.2014
7.0	A material change to the permission	17.10.2014
8.0	A material change to the permission	13.05.2015
9.0	A material change to the permission	13.05.2015
10.0	A material change to the permission	24.11.2015
11.0	A material change to the permission	26.07.2016
12.0	A material change to the permission	26.07.2016
13.0	A material change to the permission	26.07.2016
14.0	A material change to the permission	26.07.2016
15.0	A material change to the permission	26.07.2016
16.0	A material change to the permission	22.06.2016
17.0	A material change to the permission	26.07.2016
18.0	A material change to the permission	8.12.2016
19.0	A material change to the permission	14.02.2017
20.0	A material change to the permission	8.05.2017
21.0	A material change to the permission	14.07.2017
22.0	A material change to the permission	14.07.2017
23.0	A material change to the permission	14.07.2017
24.0	A material change to the permission	15.08.2017
25.0	A material change to the permission	15.08.2017
26.0	A material change to the permission	15.08.2017
27.0	A material change to the permission	15.08.2017
28.0	A material change to the permission	15.08.2017
29.0	A material change to the permission	15.08.2017
30.0	A material change to the permission	15.08.2017
31.0	A material change to the permission	19.06.2018
32.0	A material change to the permission	6.07.2018
33.0	A material change to the permission	14.08.2018
34.0	A material change to the permission	14.08.2018
35.0	A material change to the permission	2.10.2018
36.0	A material change to the permission	28.08.2019
37.0	Changes to IRB roll-out plan	18.02.2020
38.0	Changes to exposures permanently exempted from the IRB approach and IRB roll-out plan	2.02.2021
39.0	Permission granted to the Holding Company on a consolidated basis.	12.12.2021