



LEADING TREASURY
PROFESSIONALS

Welcome to this ACT video webinar

Navigating changing interest rate markets

7 December 2015 | 12.30-13.15 GMT

Sponsored by



LLOYDS BANK



LEADING TREASURY
PROFESSIONALS

Introduction

Sarah Boyce

Associate Policy and Technical Director

ACT



COMMERCIAL BANKING

NAVIGATING CHANGING INTEREST RATE MARKETS

7 December 2015

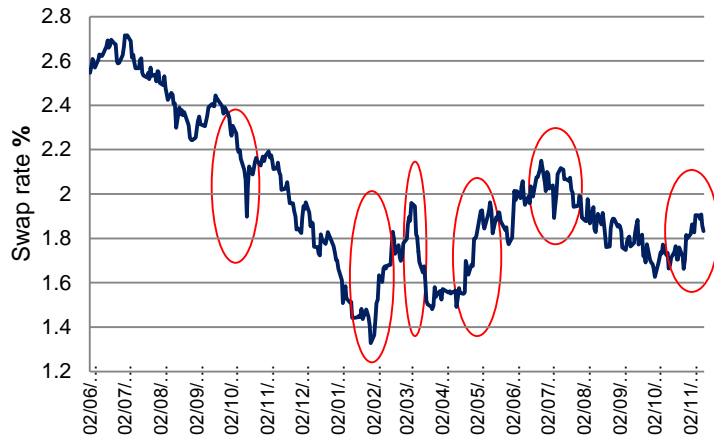


LLOYDS BANK

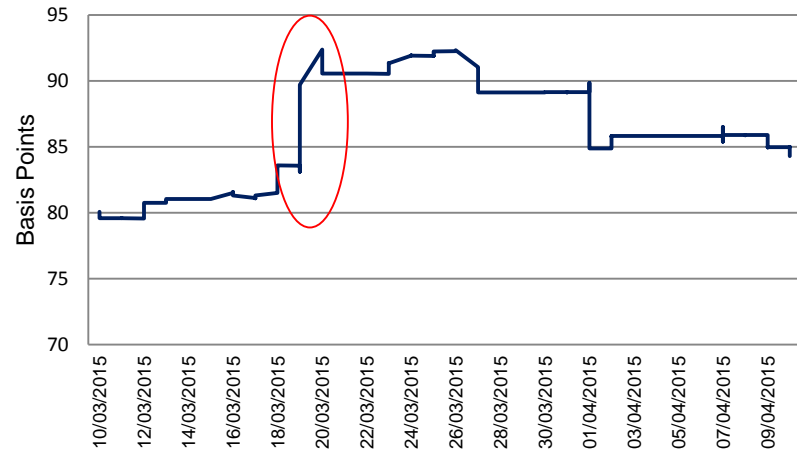
REDUCED LIQUIDITY IN GBP INTEREST RATE MARKETS



GBP 10Y Swap Rate*



GBP Swaption Volatility**



* Source Bloomberg

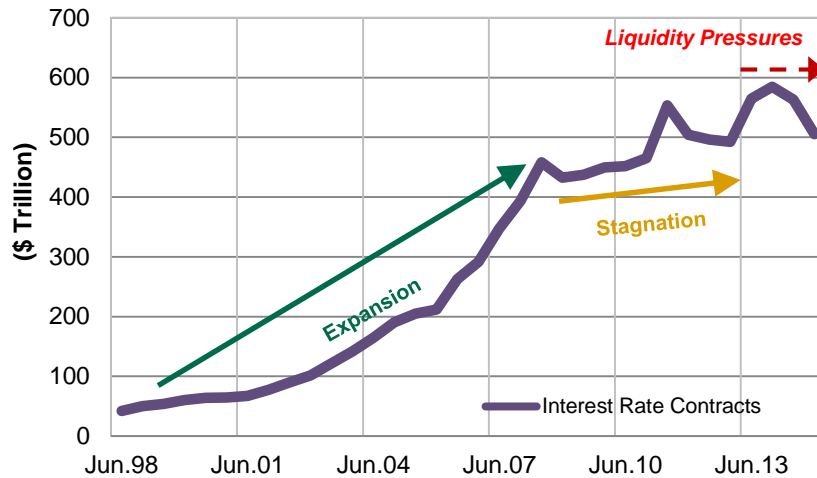
** 1y30y ATM Normalised Swaption Volatility (Source Bloomberg)

Please note past performance is no guarantee of future results.

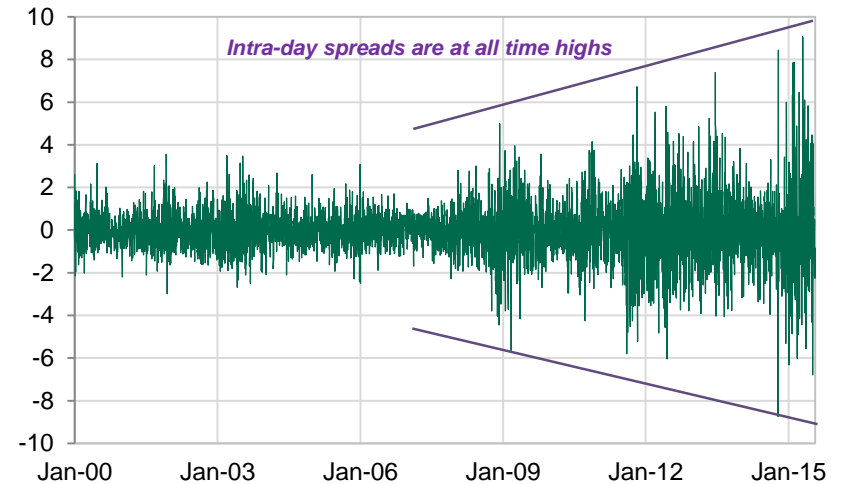
LIQUIDITY HAS DECREASED, LEADING TO HIGHER VOLATILITY



Outstanding Notional of Derivative Contracts*



Daily % change in price 10y GBP Swap**



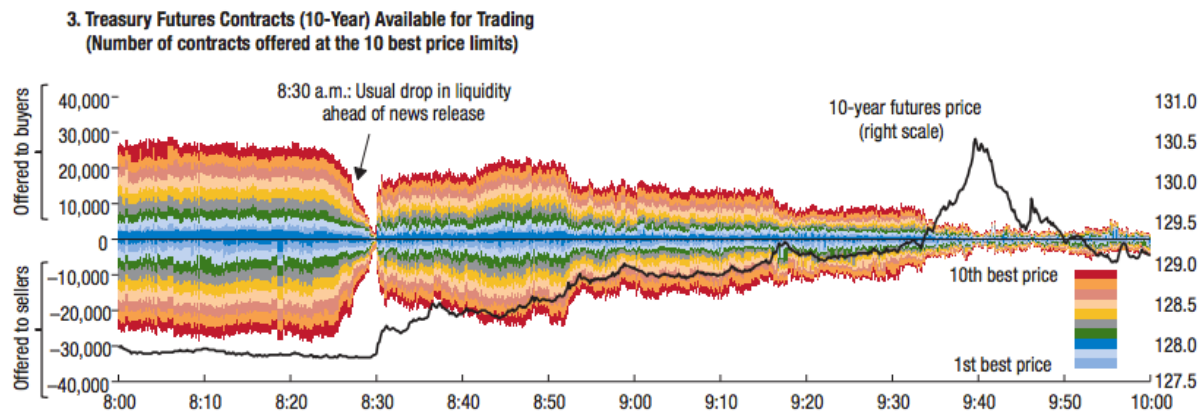
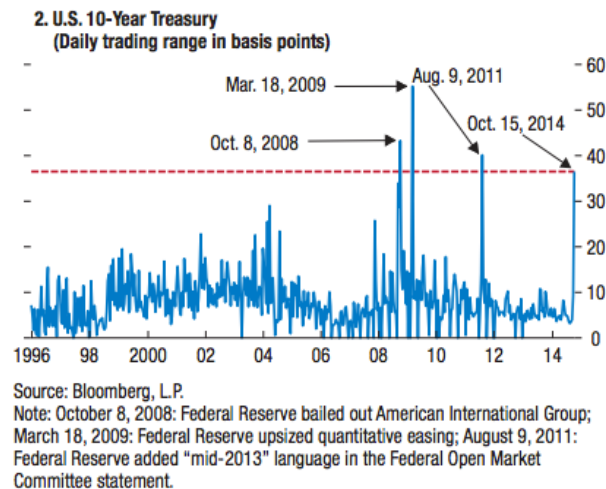
“The combination of new prudential requirements on dealers and structural changes in markets has reduced market depth and increased potential volatility” – Mark Carney at Mansion House

* Source Bank of International Settlements

** Source Bloomberg

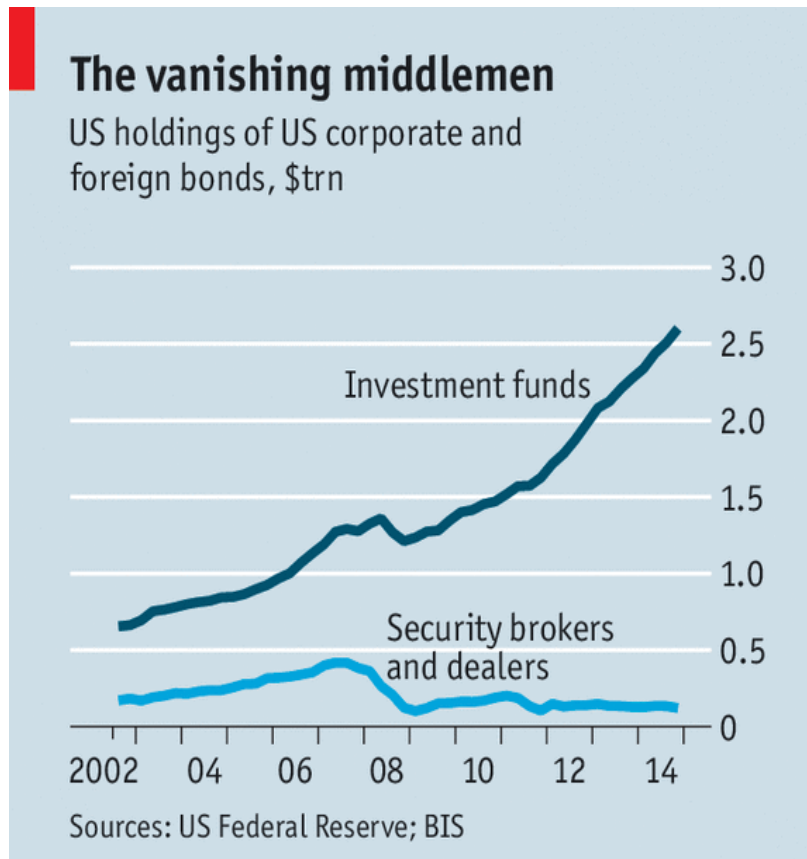
FLASH CRASH US TREASURIES

15 OCT 2014



Please note past performance is no guarantee of future results.

BOND HOLDINGS - VANISHING MIDDLEMEN

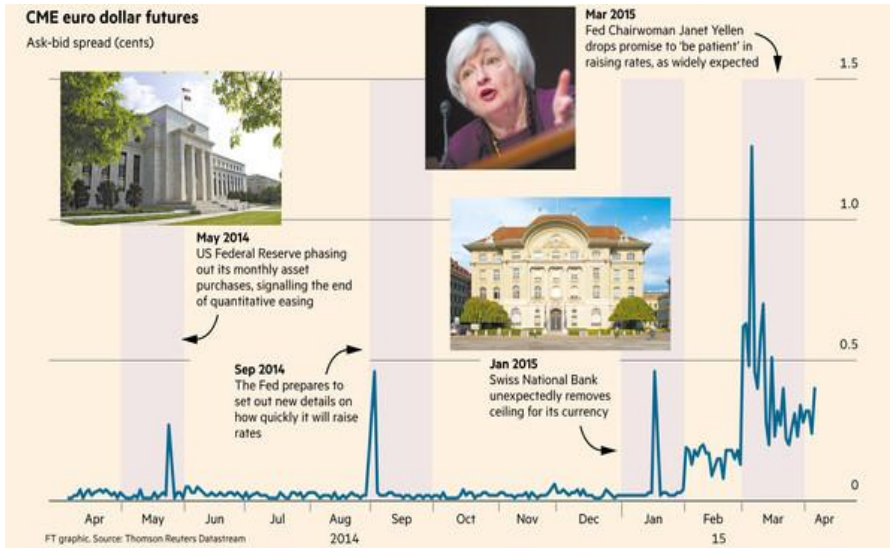


Economist.com

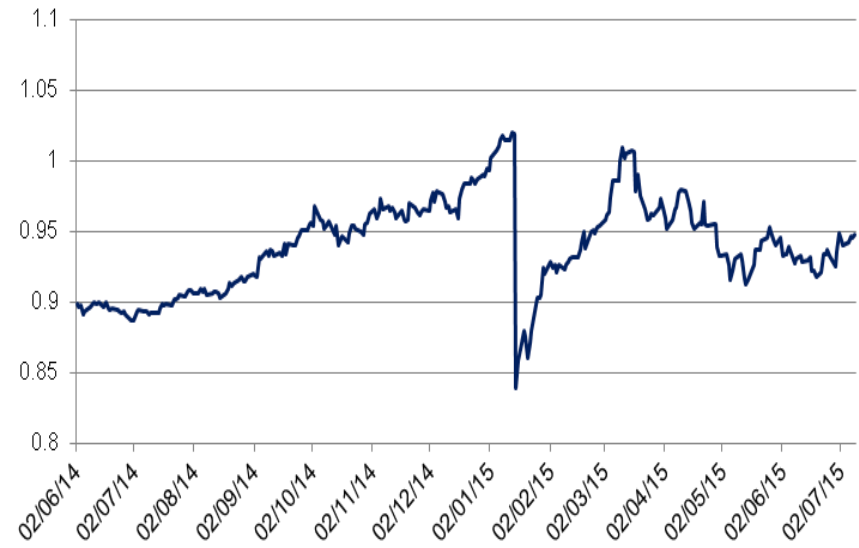
OTHER MARKETS - FX



CME Euro Dollar Futures Bid-Ask spread (cents)*



USDCHF Spot Rate**

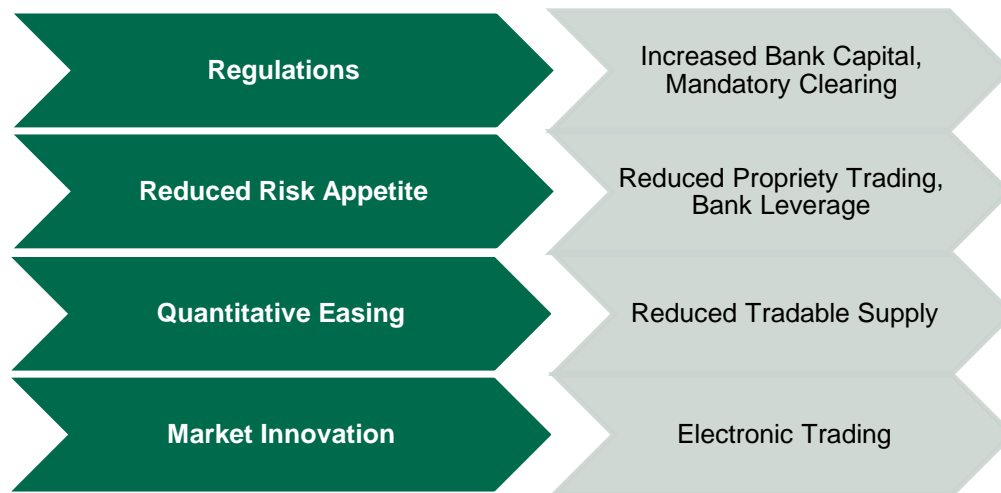


* Source Financial Times, Thomson Reuters DataStream)

** Source Bloomberg

Please note past performance is no guarantee of future results.

DRIVERS OF INCREASED VOLATILITY



RISK MANAGEMENT



Managing Fixed Float Mix

- Treasury policy / Extending Duration



Anticipating Events

- Hedging future financing events



Managing Execution

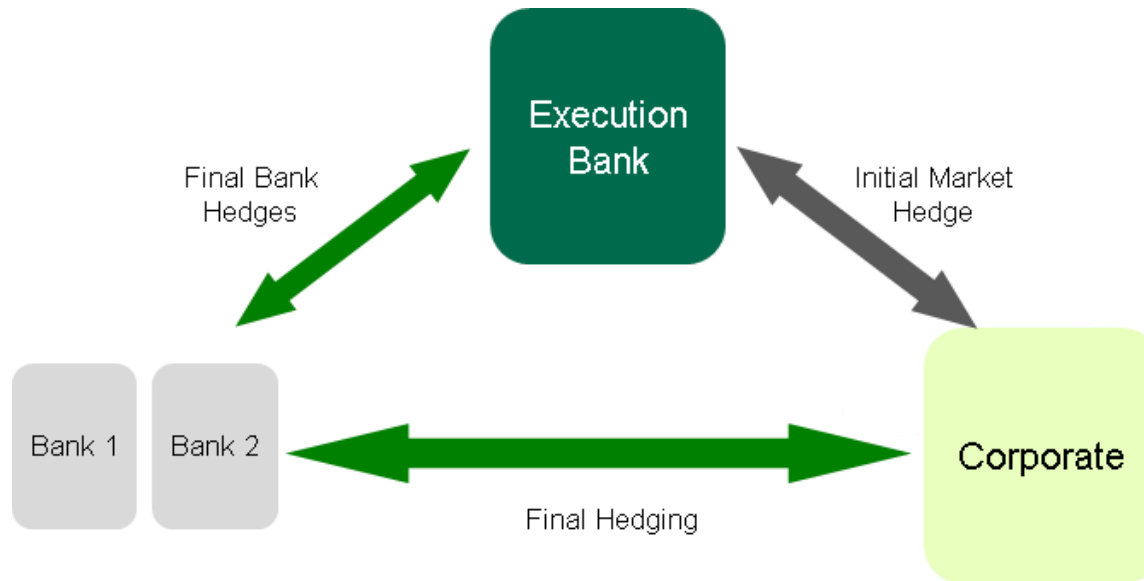
- Work closely with hedge providers



Collateral Arrangements

- Reducing trading costs

SWAP SYNDICATION PROCESS

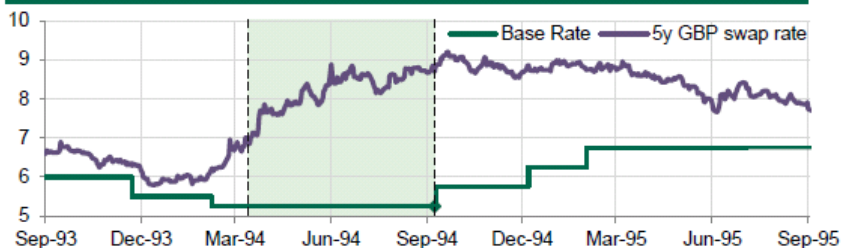




LESSONS FROM PREVIOUS RATE CYCLES

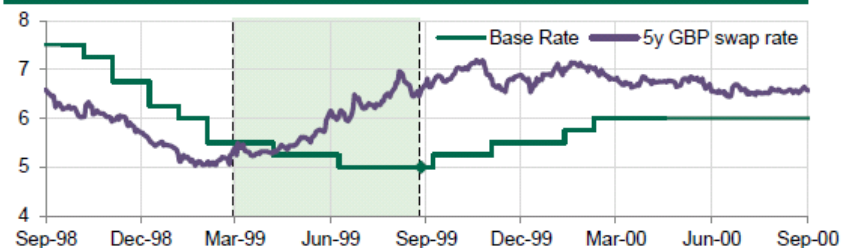
During previous rate hike cycles, the greatest move in swap rates has occurred in the six months prior to the announcement

September 1994



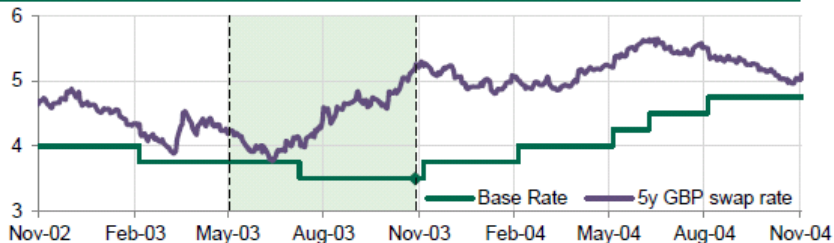
Month prior	6 months prior	Month after	6 months after
+0.13%	+1.93%	-0.14%	-0.04%

September 1999



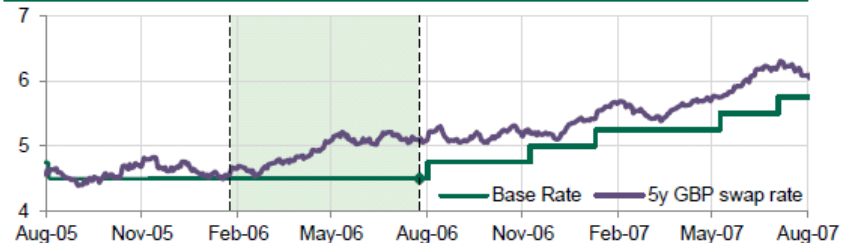
Month prior	6 months prior	Month after	6 months after
+0.16%	+1.35%	+0.29%	-0.04%

November 2003



Month prior	6 months prior	Month after	6 months after
+0.47%	+1.05%	-0.23%	-0.12%

August 2006



Month prior	6 months prior	Month after	6 months after
+0.03%	+0.53%	-0.14%	+0.47%

DISCLAIMER



This presentation is for information purposes only. It is intended as a summary only and whilst it contains some information about the potential risks and benefits of various financial instruments it should not of itself, form the basis for any investment decision. Whilst Lloyds Bank has exercised reasonable care in preparing this presentation and any views, analysis or other information expressed or presented are based on sources it believes to be accurate and reliable, no representation or warranty, express or implied, is made as to the accuracy, reliability or completeness of the information contained herein. If you receive information from us which is inconsistent with other information which you have received from us, you should refer this to your Lloyds Bank Sales representative for clarification.

Not all products or transactions will fulfill your requirements. You should be aware that any product or transaction which you enter into with us is, in the absence of any written agreement to the contrary, on the basis that you are able to make your own independent assessment and decision as to your requirements and whether that product or transaction fulfils those requirements. Your decision will be based on your own knowledge and experience and any professional advice which you may have sought in relation to the financial, legal, regulatory, tax or accounting aspects of the proposed product or transaction. Lloyds Bank, its directors, officers and employees accept no responsibility or liability for any loss (whether direct, indirect, consequential, loss of profit or damages) howsoever caused or howsoever arising, in relation to this presentation or any subsequent product or transaction entered into.

Lloyds Banking Group plc and its subsidiaries may participate in benchmarks in any one or more of the following capacities; as administrator, submitter or user. Benchmarks may be referenced by Lloyds Banking Group plc for internal purposes or used to reference products, services or transactions which we provide or carry out with you. More information about Lloyds Banking Group plc's participation in benchmarks is set out in the Benchmark Transparency Statement which is available on our website.

This communication does not constitute an offer to sell or a solicitation of an offer to buy securities in the United States ("US") and is not being directed at persons who are located in the US or who are US Persons, as defined in Rule 902 of Regulation S under the U.S Securities Act 1933, as amended (altogether, "US Persons").

Lloyds Bank is a trading name of Lloyds Bank plc and Bank of Scotland plc, which are both subsidiaries of Lloyds Banking Group plc. Lloyds Bank plc. Registered Office: 25 Gresham Street, London EC2V 7HN. Registered in England and Wales no. 2065. Bank of Scotland plc. Registered Office: The Mound, Edinburgh EH1 1YZ. Registered in Scotland no. SC327000. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under registration numbers 119278 and 169628 respectively. (09.15).



LEADING TREASURY
PROFESSIONALS

Chair's closing remarks

Sarah Boyce

Associate Policy & Technical Director

ACT





LEADING TREASURY
PROFESSIONALS

CONNECTING MINDS

FORTHCOMING EVENTS



**ACT webinar: Payment transformation -
global payment trends and the future
landscape**

8 December 2015

**ACT Europe Conference
9 March 2016 | Düsseldorf**

**ACT Cash Management Conference
10-11 February 2016 | London**

**ACT Annual Conference
18-20 May 2016 | Liverpool**



LEADING TREASURY
PROFESSIONALS

Thank you for viewing.

Please take a few moments to
complete the short feedback
survey.

Sponsored by



LLOYDS BANK