Classification: Public

LLOYDS BANKING GROUP PLC

RESOLVABILITY ASSESSMENT FRAMEWORK: PUBLIC DISCLOSURE

6 August 2024

CONTENTS

1 INTRODUCTION TO RESOLUTION PLANNING

As the UK's leading retail and commercial financial services provider, Lloyds Banking Group has an important role to play in supporting the economy through lending, deposits, risk management and the efficient flow of funds, whilst working with others to help build an inclusive, greener and more resilient economy. We aim to Help Britain Prosper by creating a more sustainable and inclusive future for people and businesses. We recognise the significant role we have in providing critical functions and maintaining UK financial stability.

As part of the commitment by the Bank of England ('**BoE**') to protect financial stability and ensure that all major banks and building societies ('**Firms**') are resolvable, we are publishing this summary of our resolution capability. This updates the last summary published in June 2022.

Resolution would occur in the event a Firm experiences financial distress and recovery options are insufficient to restore financial viability. In order to prepare successfully, we must understand what the process of resolution could look like so we can identify, implement and maintain the capabilities that would be needed if we were to fail. This is an on-going, industry wide exercise and is not in any way an indication of the Group's current position or prospects.

Resolution is a way to manage the failure of a Firm and is used to minimise the impact on depositors, the financial system and public finances. Liquidation of Lloyds Banking Group plc ('**the Group**') under normal insolvency proceedings is judged to be neither credible nor feasible. As such, in case of failure of the Group, it is considered both appropriate and necessary for the BoE to invoke resolution powers under the Banking Act 2009 ('**Banking Act**'). In this case, losses would be borne by our shareholders and certain creditors. The Group has continued to maintain and improve its resolution capabilities and strengthen its assurance testing to demonstrate that it remains resolvable.

In Section 2, we provide more information on the UK's resolution framework and the powers the BoE could use in resolution. In Section 3, we provide an update on key resolution developments since the 10th of June 2022 public disclosure. Section 4 covers information on the Group's structure, business model and critical functions and in Section 5, we set out what the process of resolution could look like for the Group. Section 6 provides an overview of the capabilities that are in place to achieve resolvability outcomes.

Board and senior management have been engaged in the development, implementation and assurance of resolution capabilities since 2012. The Group Chief Executive is responsible for ensuring the Group is resolvable and is supported by a robust oversight and accountability model across our three lines of defence. We are continuing to invest significant time and resources into ensuring and testing that we have robust capabilities and arrangements in place to facilitate the BoE's preferred resolution strategy for the Group should the need arise. Our governance process and testing framework is discussed in Section 7.

Transparency to investors and the public is a key component of the BoE resolution framework and this document summarises how the Group is preparing for, and could support the BoE in executing resolution should it ever be needed. This report is published in compliance with the requirements of the UK Prudential Regulation Authority ('**PRA**').[1]

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[1] As set out in the PRA's Supervisory Statement SS4/19 "*Resolution assessment and public disclosure by firms*" (amended with effect from May 2021).

The BoE is also publishing its assessment of the Group's ability to achieve the three resolvability outcomes, alongside our peers, and a statement of where it believes there is more work for the Group to do, in accordance with our enhancements identified in Section 8. The Group looks forward to working with the BoE in its efforts to further enhance the stability and soundness of the UK financial system.

Single point of entry bail-in is the preferred resolution strategy for the largest UK Firms

The BoE has set the preferred resolution strategy for the Group, namely single point of entry ('**SPE**') bail-in at the holding company ('**HoldCo**') level.

The aim of bail-in would be to restore the solvency of the Group, enabling it to continue providing, without interruption, functions that are critical for the UK economy and then undertake an orderly restructuring of the business to address the underlying causes of failure.

Losses would be absorbed at the HoldCo level. As at 30th June 2024, HoldCo maintained c.£70.3bn of regulatory loss absorbing capacity. The operating entities' liabilities owed to counterparties and creditors outside the Group – including customer deposits and senior liabilities which are essential to the maintenance of the Group's critical functions – do not have to be bailed in.

The Group's resolution execution plan focuses on:

- Ensuring adequate financial resources, including loss absorbing capital through SPE bail-in instruments to be executed upon the determination that the Group is 'Failing or Likely to Fail' ('**FOLTF**') and the subsequent determination that resolution conditions are met;
- Ensuring the continuity of critical functions, such as payment services, during and following the execution of the resolution strategy;
- Restructuring to address the cause(s) of failure and to return to viability; and
- Ensuring effective management, governance and communication plans are in place.

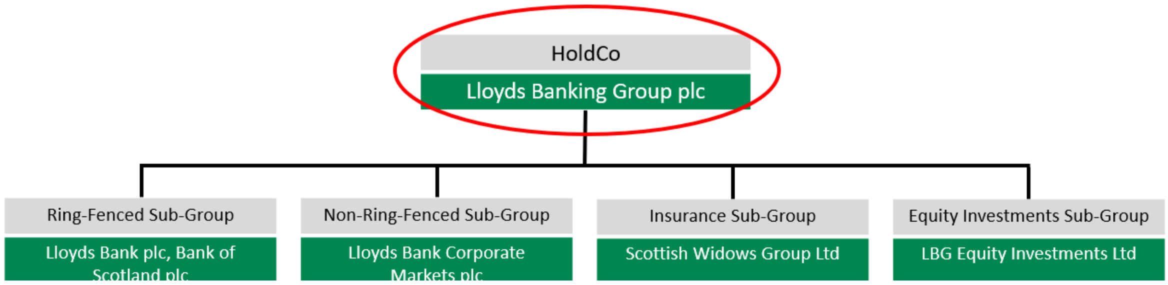
The ability to operationalise the resolution execution plan has been an important objective. The actions which may be required in the lead-up to, during and after the execution of the resolution strategy have been defined and mapped to the three resolution outcomes (outlined in Section 5).

By recapitalising and restructuring the Group, our key operating entities, critical functions and services which the Group provides are expected to be able to continue functioning as necessary. This approach preserves, as far as possible, the going concern value of the Group and imposes any losses on shareholders and private creditors rather than on UK taxpayers.

The Group's most recent resolvability self-assessment was submitted to the BoE in October 2023, with a supplementary update in January 2024 detailing our resolution strategy, alongside the capabilities, assurance and arrangements in place to address any barriers to resolution and meet the three resolvability outcomes.

What is an SPE strategy?

Under a SPE strategy, the parent / holding company absorbs losses ensuring that the critical functions of lower operating entities remain fully operational and open for business. In the case of the Group, this is structured as follows:



What are the Resolution outcomes?

To be considered resolvable, the Group must, as a minimum, be able to achieve these outcomes:

1. Have adequate financial resources in the context of resolution;
2. Be able to continue to do business through resolution and restructuring;
3. Be able to coordinate and communicate effectively within the Group and with the authorities and markets so that resolution and subsequent restructuring are orderly.

Critical Functions and Material & Significant subsidiaries

Critical Functions are activities performed by the Group for third parties (both retail and business customers) where failure would lead to the disruption of services that are vital for the functioning of the real economy and for financial stability. **Critical Services** are those within the Group that must be maintained and be available to support Critical Functions.

Material subsidiaries are identified by considering both their size and the provision of critical functions.

2 ABOUT THE UK RESOLUTION FRAMEWORK AND THIS DISCLOSURE

The purpose of resolution

The 2008/9 financial crisis highlighted the importance of both Firms and regulators being prepared to respond effectively to unforeseen severe stress events and the disruptive and costly nature of disorderly bank failure. As part of the subsequent global regulatory reforms, regulators have called on large, systemically important financial institutions to improve their recovery plans for restoring their capital, liquidity and balance sheet positions during times of severe stress. In addition, and in the event of the failure of recovery plans, regulators require such institutions to ensure they have capabilities to support their resolution. The BoE describes the purpose of resolution in the following way:

> *Resolution imposes losses on failed banks' shareholders and investors, not taxpayers. It ensures larger firms' services can continue to operate for a sufficient period, allowing authorities or new management to restructure them or wind them down.*
>
> *By ensuring losses will fall on a failed bank's investors, resolution can reduce the risk of bank failures by encouraging more responsible risk-taking. This can limit the impact of bank failures when they do occur, by placing the cost of failure on shareholders and investors, not public finances.*[2]

The UK's Resolution Framework

The BoE, as the regulatory authority with responsibility for resolution of banking groups and building societies in the UK, has at its disposal several 'stabilisation options' provided for under the Banking Act. These include:

- the bail-in of liabilities (including issued debt) in order to recapitalise the entity or the Group;
- a sale of the entity either to a private sector purchaser, most likely another banking group, or a publicly owned 'bridge bank;
- a sale of some or all of the Group's business to another industry participant; and
- as a last resort, temporary public ownership of the entity or the Group.

These powers can be exercised individually or in combination, and with respect to operating companies in the UK, such as banks or investment firms, or with respect to their UK organised holding companies.

Resolution planning and this report

The BoE has developed a resolvability assessment framework ('**RAF**') which requires a firm to:

1. Have the **capabilities and arrangements to address any barriers to resolution** and meet the BoE's three resolvability outcomes (Adequate Financial Resources, Continuity and Restructuring, and Coordination and Communication). These are outlined in Section 6.

2 Bank of England (2018) 'Introduction to the Resolvability Assessment Framework', page 3.

2. Have Board and senior management being formally responsible for resolvability and overseeing **regular RAF self-assessments**.
3. Publish a summary of their preparations for resolution and for the BoE to make a public statement as to the resolvability of these Firms to provide **transparency to investors and the public**.

As discussed within the Introduction, the BoE is making a public statement on their assessment of Firms' ability to achieve the three resolvability outcomes. Together, these provide transparency to investors and the public.

3 CHANGES SINCE THE LAST ASSESSMENT

The Group has further embedded its resolution capabilities during the second submission of the Group's RAF self-assessment to the BoE. Following its second RAF assessment, the BoE has acknowledged the improvements made by the Group in its Funding in Resolution ('**FIR'**) capabilities and that these improvements have addressed the issue identified in this area in the first RAF assessment.

As part of the second RAF assessment the BoE has identified an area for further enhancement with respect to the Group's approach to achieving the Adequate Financial Resources outcome, relating to the Group's Valuations capabilities.

The BoE has confirmed that no material issues with respect to the Group's approach to achieving the Continuity and Restructuring outcome or Co-ordination and Communication outcome have been identified during the second RAF assessment.

The Group's assurance regarding its resolution capabilities has been enhanced by the testing undertaken by the Group during the second RAF assessment cycle. Resolution testing has advanced and represents a step-change in the breadth and depth of testing, having undertaken a test scenario of select key periods of a resolution event. This included testing the Management Information ('**MI**') required and available to support decision making across key resolution capabilities during a resolution scenario. The exercise encompassed key stages and levels of governance and included engagement across resolution Subject Matter Experts, Senior Group Executives, Group Board Members and Non-Executive Directors. The successful outcome of the test demonstrated the embedded understanding of resolution and capabilities to support it. The test further enhanced the Group's confidence that its resolution capabilities can be delivered as planned in an agile and timely manner.

The Group also made enhancements to our playbook documentation following a test of our valuation capabilities and added controls to ensure this documentation remains up to date. The Group's valuation capabilities include the ability to understand valuation outcomes and we continue to test our Valuations in Resolution (**'VIR'**) capability with the next test scheduled for later in 2024.

Additional enhancements include improved MI following testing of what is required during a resolution event; development of restructuring playbooks; embedding of resolution processes including risks and controls; further assurance around communication processes and documentation to better capture disclosure obligations; and a reduction in legacy capital instruments.

The Group is committed to continue to develop and strengthen our resolution capabilities and assurance testing.

4 GROUP STRUCTURE & BUSINESS MODEL

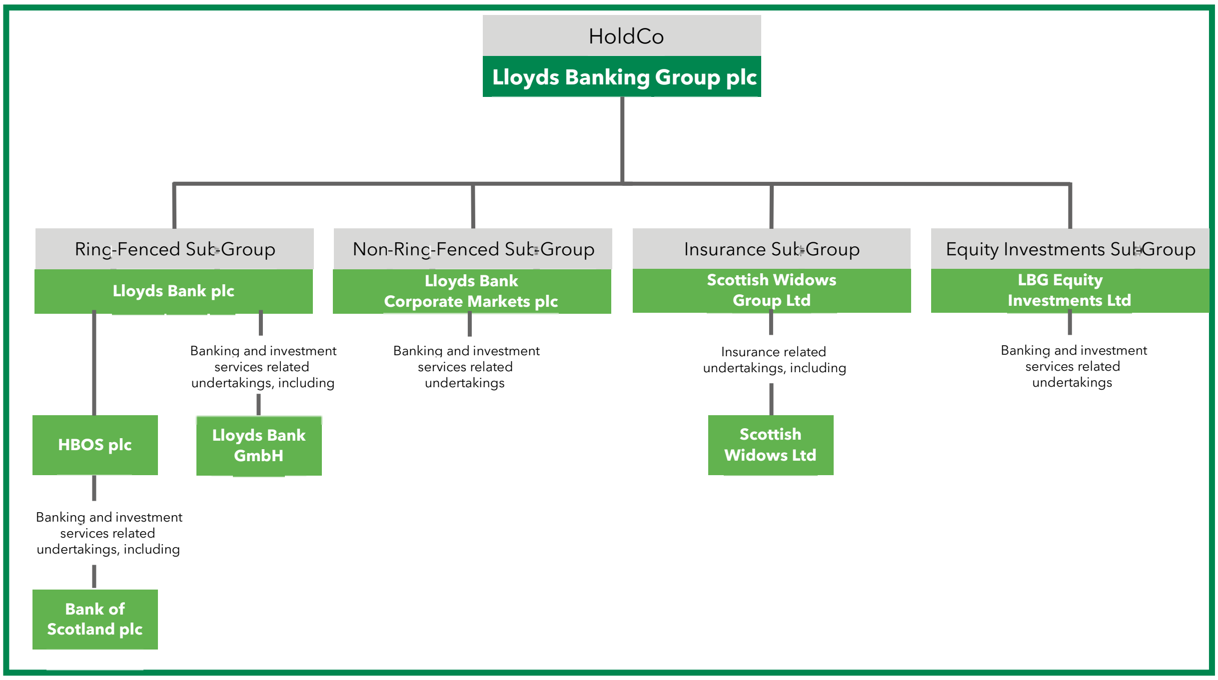
The Group's UK focused Business Model

Lloyds Banking Group is a systemically important institution ('**O-SII**') due to our balance sheet size and the critical functions we provide to the UK economy. Our business areas are structured according to the products and the services we provide to best serve our customers' financial needs. We have three business divisions: Retail, Commercial Banking, and Insurance, Pensions and Investments. Our products range across lending, deposit taking, insurance, investment, commercial financing and risk management.

- Our scale and reach across the UK means that our franchise extends to 27 million customers, offering services through a number of recognised brands to address the needs of different customer segments more effectively:

- The Group's operations outside of the UK are not material and are primarily retail banking services in the EU, assisting retail customers in the Crown Dependencies and providing corporate clients access to North America.

- The Group's UK focused structure with limited international presence simplifies the strategy and process of resolution for the Group. A summarised diagrammatical representation as at 31st December 2023 of the Group is provided below.



- LBG plc or HoldCo is the primary resolution entity for the Group:

Entity	Description
Lloyds Banking Group plc	The resolution entity ('**LBG plc**' or '**HoldCo**') which consists of four operating sub-groups. This is where the BoE would apply resolution powers

- The HoldCo has four operating sub-groups:

Sub-group	Description
Ring-Fenced Bank ('**RFB**')	Includes Lloyds Bank plc ('**LB**') and its subsidiaries, offering banking services permitted inside the ring-fence
Non Ring-Fenced Bank ('**NRFB**')	Includes Lloyds Bank Corporate Markets plc ('**LBCM**') and its subsidiaries, mainly offering banking services to our customers that are not permitted inside the ring-fence
Insurance Sub-Group	Includes Scottish Widows Group Ltd and its subsidiaries ('**SWG**'), offering life and general insurance products and services.
Equity Sub-Group	Includes LBG Equity Investments Limited and its subsidiaries ('**LEIL**'), including the Group's private equity business, the Group's share of Scottish Widows Schroder Personal Wealth Limited, and other equity investments.

Post-crisis Reforms

Since the financial crisis in 2008/9, the Group (along with much of the financial services industry) has taken active steps to ensure that it would be better prepared for future stress scenarios. These steps have encompassed improvements to the Group's capital and liquidity positions, simplified structure, as well as appropriate risk reduction measures. Each of these actions have been undertaken in consultation with the BoE, PRA and (where appropriate) the Financial Conduct Authority ('**FCA**').

In 2011, the Group established a clear focus on becoming a simple, low risk, customer focused UK bank with significantly reduced risk-weighted assets, lower reliance on short-term funding, strong asset quality and capital levels. The Group's presence is now predominantly UK focused, with a relatively small presence in six other countries, down from thirty countries in 2011.

To meet ring-fencing requirements, from 1 January 2019, core UK retail financial services and ancillary retail activities were ring-fenced from other activities of the Group. This separated personal banking services such as current and savings accounts from risks in other parts of the business. LB and Bank of Scotland plc ('**BoS**') are the banks, within the Group, which have been included within the ring-fence (together the RFB). This separation ensures independent decision making by the RFB Board, including maintenance of the capital adequacy and liquidity of the RFB.

The Group has focused on holding the appropriate level of capital to maintain financial resilience and market confidence, underpinning our strategic objectives of supporting the UK economy. Further to this a strong funding position has been maintained in line with the Group's low risk strategy. Discussion of the Group's capital and funding capabilities are included within Section 6.

The Group's Critical Functions

A key aim of resolution is to avoid significant adverse effects on the financial system by ensuring continuity of banking services and critical functions undertaken by the Group to deliver broad economic stability.

The Group has conducted an evaluation of the criticality of its economic functions within each legal entity, identifying the nature of the function (transactional or lending), customer type (retail, small to medium enterprise ('**SME**'), or corporate), volumes, ease of substitution and market share. This assessment concluded the Group has twenty functions that are critical, and these are provided by the RFB and SWG. The results of the evaluation are highlighted below.

The Group's Critical Functions			
Retail Current Accounts	SME Current and Savings Accounts	Retail Savings	Retail Mortgages
Retail Credit Cards	SME Lending (Secured)	Payment Services	Settlement Services
Cash Services	Third Party Operational Services	Corporate Deposits	Other Secured Auto (Leasing)
Retail Unsecured Personal Lending	Other Unsecured Auto (Hire Purchase)	Corporate Lending	Trade Finance
Credit Card Merchant Services	Derivatives	General Insurance	Life, Pensions, Investments

Additional information related to our critical functions & lines of business is contained within our 2023 Annual Report and Accounts, and through our quarterly performance updates, available at:

www.lloydsbankinggroup.com/investors/financial-downloads

The Group's Shared Service Model

The Group operates an 'in-house' Shared Service Model, centred within the RFB, for the provision of services across the Group, including services that are critical to the functioning of the core business lines of the Group and its critical functions.

This structure creates a level of operational interconnectedness with many support functions covering the Group, as a whole, aligned to the divisional and business unit structure operated by the Group, rather than being aligned to legal entities or jurisdictions.

The Group does not have a separate service company. During resolution, the Shared Service Model is expected to continue to operate, supported by the Group's operational model, ensuring the continued provision of services to the Group and its subsidiaries assisted by all support services being conducted from within the RFB. The RFB has significant resources, thereby safeguarding the service provision in resolution.

International and Non-Ring-Fenced Banking Activities and Operations

The Group has relatively limited exposure to international/non-UK operations through both the NRFB and RFB sub-groups. Non-UK activity is a non-material proportion of the Group's operations and earnings, therefore does not present a material risk in terms of the provision of critical functions or services within the UK. In addition to the LBCM and RFB operations listed below, Scottish Widows Europe Société Anonyme ('**SWE**') was established in 2018 to help ensure continued servicing of life insurance policies to customers in Europe, as a result of the United Kingdom's exit from the European Union. Currently SWE is not seeking new business.

<u>LBCM non-UK operations</u>

The majority of non-UK banking activity is conducted through LBCM which provides a wide range of commercial and retail banking services through offices in the Crown Dependencies, North America and Germany.

International Strategy	Location	Geography Served	Business Products
North America	New York	North America	Business offers core banking products to our Corporate and Institutional Coverage clients including lending, deposits and a range of debt capital and financial markets solutions through the US Broker Dealer, Lloyds Securities Inc. The team supports both North America offerings, Standby Letters of Credit, Supplier and Trade Finance, and UK Cash Management. The US Private Placements team supports bond issuances for entities such as UK housing associations, higher education clients and utility companies.
Germany	Frankfurt	Economic European Area ('**EEA**')	Distribution to (and secondary trading with) EEA investor clients (including credit short covering). Commercial Paper/Certificates of Deposit distribution to EEA investor clients for Group entities.
Islands	Jersey	Jersey, Guernsey & Isle of Man	Retail offerings to Crown Dependency customers (mortgages, personal loans, deposit accounts and motor finance), alongside corporate banking activity, financial intermediaries' activity and UK expat wealth and private banking.

RFB non-UK operations

International Strategy	Location	Geography Served	Business Products
Europe	Berlin	Germany	Lloyds Bank plc – Niederlassung Berlin. A branch of LB primarily managing the required cash collateral for the Group's euro payments in TARGET2 which are held as deposits at the Deutsche Bundesbank. This branch also has loan exposures to a limited group of customers (German domiciled employees of the Group).
		Germany & Netherlands	Lloyds Bank GmbH is a subsidiary of LB which holds a banking licence in Germany from BaFin (German regulator) and operates a branch in the Netherlands via an EU banking services passported authority. The subsidiary provides Dutch mortgages and German deposits.

5 OUR RESOLUTION EXECUTION PLAN

The Group's resolution execution plan consists of:

- the preferred resolution strategy, set by the BoE and executed upon the determination that the Group is FOLTF and the subsequent determination that resolution conditions are met;
- the actions to continue to operate critical functions during and following the execution of the resolution strategy;
- the options for restructuring the business to address the cause(s) of failure and return to viability; and
- ensuring effective management, governance and communication plans are in place.

The Group's preferred resolution strategy

The BoE has stated that the preferred resolution strategy for the Group is a SPE bail-in, led by the BoE as the home resolution authority.

We understand the BoE has selected SPE bail-in because bail-in is considered to be the only credible resolution tool for the Group. The "sale of business" tool has been considered but discounted due to the Group's size, although selling businesses under private terms may be used subsequently as part of post-resolution business restructuring. At the point of non-viability ('**PONV**'), the Group will need to be re-capitalised, and its authorisation continued to support an orderly resolution. Bail-in at the HoldCo is the best tool to achieve this. It is assumed that at the PONV, the Public Interest Test[3] will be met given the critical functions the Group provides to the UK economy.

The bail-in mechanism enables the BoE to impose losses on shareholders and certain creditors. Under the Banking Act it is expected that resolution bail-in powers would be utilised at HoldCo as the SPE entity. Losses realised in material subsidiaries or sub-groups would be transferred to the HoldCo through write-down or conversion of internal own funds instruments using mandatory write-down or conversion powers (Section 6B of the Banking Act), or in the case of internal senior non-preferred minimum requirement for own funds and eligible liabilities ('**MREL**') qualifying

3 The public interest test is a key safeguard in resolution, to protect taxpayers and financial stability. When faced with a failing firm, the BoE considers whether resolution best serves the public interest.

instruments, through contractual triggers. These contractual write-down triggers can be affected in the case where the subsidiary is deemed to be failing, or its own funds have been written down or converted, or the Group is subject to resolution proceedings. The write-down and/or conversion of internal MREL[4] through statutory powers or contractual triggers effectively recapitalises the material subsidiary or sub-group, with losses and recapitalisation needs transferred to the HoldCo. Therefore, the Group needs sufficient loss-absorbing capacity at a HoldCo level, as well as at material subsidiaries and sub-groups, namely: RFB, LB, BoS, and LBCM. Our Insurance sub-group is managed in accordance with Solvency II capital requirements, setting out specific regulatory requirements for insurance firms and groups, as detailed within the Solvency II returns, available at:

www.scottishwidows.co.uk/about_us/financial_information/solvency-ii-returns/.

The resolution timeline and Stress Crisis Continuum

In accordance with the BoE's Approach to Assessing Resolvability Statement of Policy (updated in May 2021), the Group has developed and maintains its own, customised version of a stylised resolution timeline to illustrate the actions that would be required to support resolution. The Group's stylised resolution timeline consists of four resolution periods:

Pre-Resolution Contingency Planning	Resolution Weekend	Bail in Period	Restructuring & Exit
During which LBG would be expected to take actions to support the BoE's assessment of whether the conditions to put the Group into resolution have been met and to prepare the Group for an orderly resolution.	Which begins at the point that the BoE announces the resolution and ends the next business day when markets open. SPE bail -in resolution strategy is commenced and LBG delivers crucial communications including to the market, customers, counterparties, employees and suppliers, as well as integrating the bail -in administrator (' **BIA**') into governance.	Which immediately follows the Resolution Weekend, during which the Group is expected to take actions to stabilise and ensure the continuity of critical functions, finalise and begin executing the business reorganisation plan ('**BRP**'), and calibrate the final terms of the bail -in, returning the Group to private control.	During which the Group's new management and Board will continue to implement the business reorganisation plan under the supervision of the PRA and continue to rebuild financial stability. It is expected that finalisation of any No Creditor Worse Off ('**NCWO**') compensation would take place during this period as well.

We recognise that ultimately the BoE will trigger the resolution regime when it has determined that the Group is FOLTF and the conditions for resolution are met.

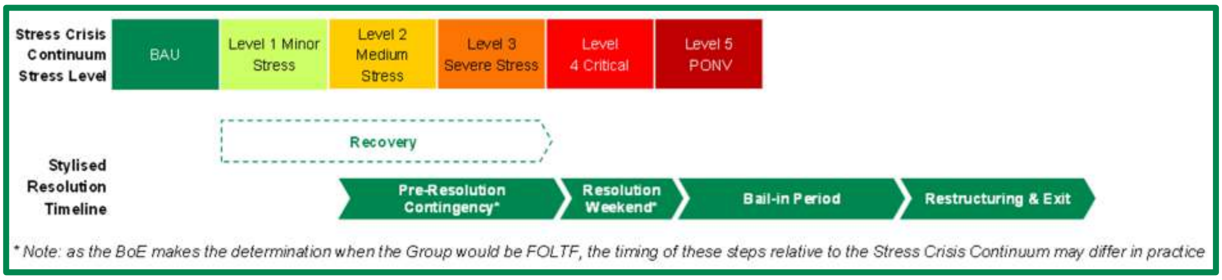
Nonetheless, we have made it a priority to ensure that management have timely information and objective assessment criteria to determine whether resolution-related actions need to be commenced, and to ensure there is sufficient time for contingency planning before the PONV is reached.

To embed the resolution execution plan into our governance, the pre-resolution phase and the resolution weekend is integrated into our Stress Crisis Continuum or Capital and Liquidity Contingency Framework. This is a governance tool which outlines key metrics and associated actions the Group will consider during times of stress, through the recovery phase, and up until the point at which the Group enters resolution.

4 External MREL instruments are issued from HoldCo. Internal MREL instruments are issued from the material subsidiaries to the HoldCo, either directly or indirectly.

Our Stress Crisis Continuum has the following components, supported by a governance structure, including Group Incident Management ('**GIM**'), to oversee the resolution process:

- A series of early warning **indicators and metrics**, predominately capital and liquidity, that provide management with an early indication of any current or potential financial deterioration to help inform their decisions to enter each successive stress level in the Stress Crisis Continuum; and
- A set of **actions** (supported by playbooks where relevant) that detail steps to be taken at each successive stress level.



Pre-resolution activity may commence as either the liquidity or capital position of the Group deteriorates to Level 3 (as referred to below) and at the point at which the recovery actions appear insufficient and failure is considered likely. It is expected that at least some recovery actions will be in progress and may be further informed by Valuations in Resolution outcomes.

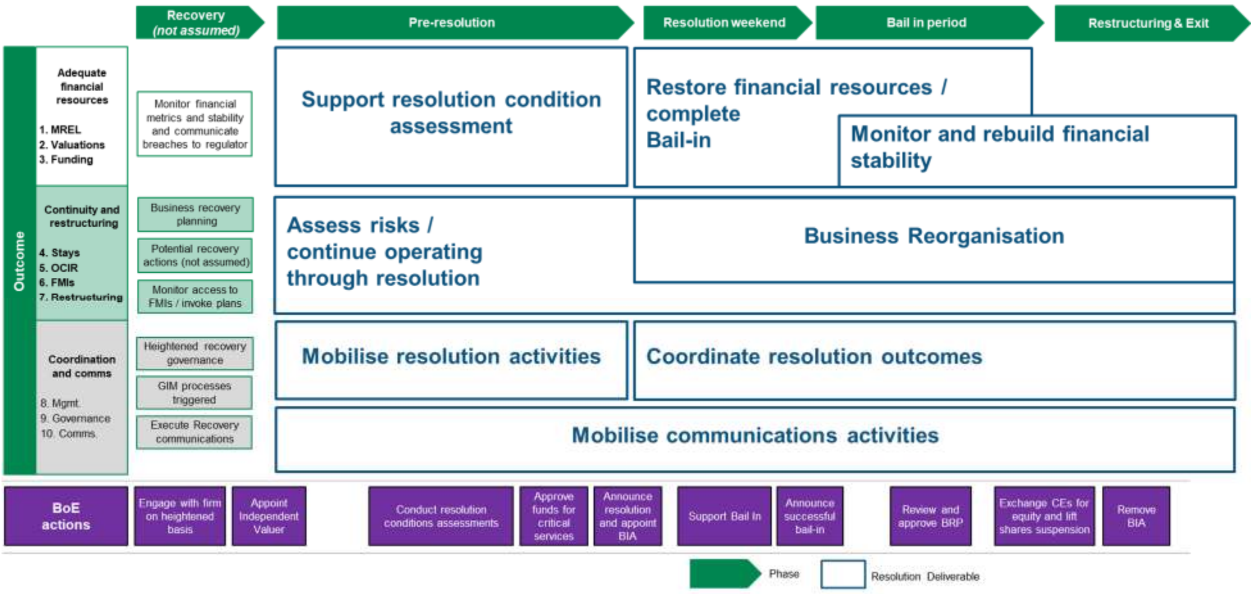
We have determined two indicative triggers for the commencement of pre-resolution as follows:

1. the BoE notify the Group that an Independent Valuer has been appointed to support the assessment of whether conditions for resolution have been met; or
2. the Group has reached "Level 2 – Medium Stress" within the Capital and/or Liquidity Contingency Framework and the Chief Financial Officer and Group Treasurer agree to heighten resolution planning.

Upon either of the above triggers being met, our management and staff would initiate our enhanced resolution governance (as discussed in Section 7). In parallel, the GIM Framework would be invoked (if not already) to support the coordination of resolution activities. During this period, our focus would be to see that our Board of Directors, management and employees take the appropriate actions at the right times. Decision making would be escalated as appropriate to ensure a timely response to developing conditions.

Our approach to enabling the resolution execution plan

The ability to operationalise the resolution execution plan has been an important objective. The actions which may be required in the lead-up to, during, and after a FOLTF decision, necessary to operationalise the SPE bail-in resolution strategy and broader resolution execution plan have been defined and structured into the four resolution periods: Pre-resolution contingency planning ('**pre-resolution**'); Resolution weekend; Bail-in period; Restructuring and Exit. Resolution periods are mapped to the three resolution outcomes in our stylised resolution timeline depicted below, together with the corresponding actions we would expect the BoE to take. The resolution outcomes are explained in Section 6.



Below sets out the key actions performed within the four resolution periods:

Pre-resolution
• Supporting the resolution condition assessment through heightened liquidity and funding reporting, identifying recapitalisation requirements, preparing for bail-in and restructuring as supported by refreshed valuations and early drafts of the Business Reorganisation Plan ('**BRP**'), including the involvement of the BoE and Independent Valuer as necessary. • Assessing operational risks and continuing to operate through resolution with enhanced service provision reporting, monitoring of contractual continuity and activation of critical financial markets infrastructure contingency plans. • Mobilising resolution activities by triggering the Group's Incident Management Framework, activating succession and retention measures as well as preparing to support the BoE with the introduction of a Bail-in Administrator ('**BIA**'). • Assess and update the resolution communication plan across all stakeholders.

Resolution weekend
• Restoring financial resources by defining the scope of bail-in and write-down required and triggering the bail-in clauses of MREL instruments. • Near-final drafting of the BRP. • Co-ordinating resolution outcomes and finalising communications plans by facilitating rapid review and decision making supported by our GIM and Corporate Governance Frameworks.

Bail-in period
• Continuing to complete bail-in by issuing certificates of entitlement ('**CE**s') and determining the allocation of equity to be received by bailed-in creditors in accordance with the No Creditor Worse Off ('**NCWO**') principles. • Delivering the communications plan to external and internal stakeholders, including Day 1 resolution announcements (following the resolution weekend) and finalisation of the BRP. • Monitoring and rebuilding financial stability by reassessing the capital and liquidity risk appetite frameworks and updating our capital and liquidity plans in line with the finalised BRP. • Continuing to monitor service provision, contractual continuity and engagement with critical FMIs to ensure continuity of critical functions and banking services.

Restructuring & Exit
• Executing the BRP ensuring operational continuity of critical functions and banking services. • Continuing to deliver market disclosures concerning the progress of restructuring actions. • Monitoring and refreshing capital and liquidity plans and actions to ensure adequate financial resources are maintained through restructuring. • Implement management changes and support the exit of the BIA following BoE approval of the BRP.

Resolution Execution Plan impact on key stakeholders

This section highlights the key impacts of our resolution execution plan on creditors, depositors, vendors and service providers.

Creditors
Our strategy is designed to ensure that operating subsidiaries can continue to meet all of their payments and performance obligations to counterparties, vendors and creditors. However, in the extremely unlikely event that loss absorbing debt at HoldCo was insufficient, it could result in the write-down or conversion of other, more senior-ranking liabilities of the Group. In this circumstance, certain creditors would be protected by the express exclusions from bail-in provided for under the Banking Act. In particular, secured liabilities, deposits that are covered under the UK Financial Services Compensation Scheme ('**FSCS**'), employee fixed remuneration (and some variable remuneration) entitlements, liabilities owed to pensions schemes (except certain variable remuneration based entitlements) and liabilities owed to suppliers of non-financial goods and services that are critical to our daily operations are all expressly excluded from the potential scope of any bail-in.

Depositors
Our resolution strategy is aimed at ensuring that depositors continue to have access to their deposits and related banking services with minimal disruption throughout the entire resolution process. Part of the resolution planning process involves assessing the likely sources and modelling the likely uses of liquidity in resolution, including that required to meet any widespread withdrawals made by depositors in the event they might arise. The Group has a variety of sources of liquidity available to it, including existing central bank facilities that would be made available by the BoE and other central bank and third party facilities.

Vendors & service providers
The UK resolution framework recognises the critical importance of preserving relationships with key vendors and service providers. Liabilities to key vendors and service providers are generally excluded from the scope of liabilities that could be affected by a bail-in. The majority of these relationships are entered into by subsidiaries of HoldCo which are not expected to be placed into resolution, administration or insolvency proceedings and who will continue to operate on an ordinary basis. Contracts with third party suppliers are required under the resolution rules to include clauses which guarantee the provision of services in resolution. Operational continuity arrangements for vendors and service providers (including Financial Market Infrastructure providers) are addressed through specific capabilities discussed in Section 6.

6 CAPABILITIES, RESOURCES AND ARRANGEMENTS IN PLACE TO ACHIEVE THE RESOLVABILITY OUTCOMES

To be considered resolvable, we need to be able to meet three key outcomes in resolution, as a minimum:

- Have adequate financial resources in the context of resolution, specifically to absorb losses and recapitalise without exposing public funds to loss. This includes resources to meet the Group's financial obligations in resolution.
- Be able to continue to provide critical functions through resolution and restructuring, specifically ensuring activities can continue while the authorities take charge and begin to restructure the Firm in such a way that the business can be reshaped, including any parts of it being sold or wound down (as appropriate).
- Be able to co-ordinate and communicate effectively within the Firm, the authorities, and with the market, so that resolution and subsequent restructuring are orderly.

Going Concern		
Under the SPE strategy, the Group will remain a going concern, ensuring NCWO and reducing the risk of market disruption. Critical functions and services continue to operate without our clients experiencing disruption in the services we provide.		
Adequate Financial Resources		
Minimum requirement for own funds and eligible liabilities (MREL) Our material entities and subgroups hold sufficient levels of capital and MREL eligible instruments to absorb losses, facilitating bail-in without any significant legal barriers whilst ensuring NCWO.	**Valuations in Resolution** We can perform timely and robust valuations to inform the extent of re-capitalisation and/or restructuring to restore viability as well as to ensure NCWO.	**Funding in Resolution** Our material entities and subgroups hold sufficient levels of liquidity and are able to raise funding to facilitate operational continuity and meet the needs of restructuring through resolution. We can monitor liquidity positions and mobilise liquidity resources as and when required to ensure adequate liquidity levels are maintained.
Continuity		
Stays in Financial Contracts We have minimised the risk of early termination of financial contracts by including relevant clauses where appropriate within non-UK law financial contracts.	**Operational Continuity in Resolution (OCIR)** Our Group remains operational, minimising the possibility of disruptions to banking services and critical functions. All critical supplier agreements contain continuation of service clauses.	**Access to Financial Markets Infrastructure (FMI)** We maintain contingency plans for critical FMI to facilitate continued access to these essential services within the framework of our existing membership arrangements and contractual relationships.
Restructuring		
We can identify and execute credible restructuring options to facilitate an optimal and targeted response to the causes of failure, enabling a return to a viable business model which supports the continuity of banking services and critical functions in the UK.		
Coordination & Communication		
Management Established retention and succession capabilities ensure continued resourcing of roles key to decision-making, coordination, and continuity of the Group.	**Governance** Leveraging the GIM framework, rapid decision making, and oversight arrangements are available to support the coordination of resolution outcomes.	**Communications** We have experience in delivering timely and effective communication to internal and external stakeholders, supporting the business in maintaining operational continuity and market stability.

The BoE has identified eight generic barriers to resolvability across the three outcomes. These were developed to be consistent with the barriers identified by the Financial Stability Board.

This section describes what we have done to address the barriers to resolution and how this supports the delivery of the resolution outcomes. A robust oversight and accountability model across our three lines of defence has been implemented to ensure capabilities are maintained and will continue to comply with the BoE's ongoing requirements and guidelines.

6.1 MINIMUM REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES

What is Minimum Requirement for Own Funds and Eligible Liabilities ('MREL')?

MREL is the minimum amount of equity and debt subordinated to operating liabilities a firm must maintain to support an effective resolution. This is separate from the capital requirements set by the PRA.

For debt or equity to count towards MREL, it must meet specific conditions. These conditions ensure we could depend on that equity and debt to support a resolution.

MREL ensures that investors and shareholders (and not the taxpayer) absorb losses when a firm fails.

The Group and material subsidiaries are required to maintain a sufficient amount of resources that can credibly and feasibly be used to absorb losses and recapitalise the Group in resolution, whilst continuing to provide critical functions. This requirement is set by the BoE and implemented through the policy setting out the minimum requirements for own funds and eligible liabilities. MREL can be satisfied by a combination of regulatory capital and certain unsecured liabilities (which must be subordinated to the Group's operating liabilities).

We have a strong risk management framework with prudent risk appetite and are meeting the external and internal capital and MREL requirements. With proven access to capital markets in a range of market conditions and comprehensive capital planning informing the issuance strategy, we are confident that we will continue to meet capital and MREL requirements on an ongoing basis.

The Group's current MREL requirement, excluding regulatory capital and leverage buffers, is the higher of two times Pillar 1 plus two times Pillar 2A, equivalent to 21.3 per cent of risk-weighted assets as based upon minimum capital requirements at 30 June 2024, or 6.5 per cent of the UK leverage ratio exposure measure.

An analysis of the Group's current regulatory MREL position[5] is provided below:

	30-Jun-24 *£m*
Total MREL resources	70,314
Risk-weighted assets	222,019
MREL ratio	31.7%
Leverage exposure measure	664,936
MREL leverage ratio	10.6%

Further detail on the Group's capital management and capital resources can be found within the Group's Annual Pillar 3 Disclosures, available at:

www.lloydsbankinggroup.com/investors/financial-downloads

[5] The MREL position does not include instruments with less than one year to maturity.

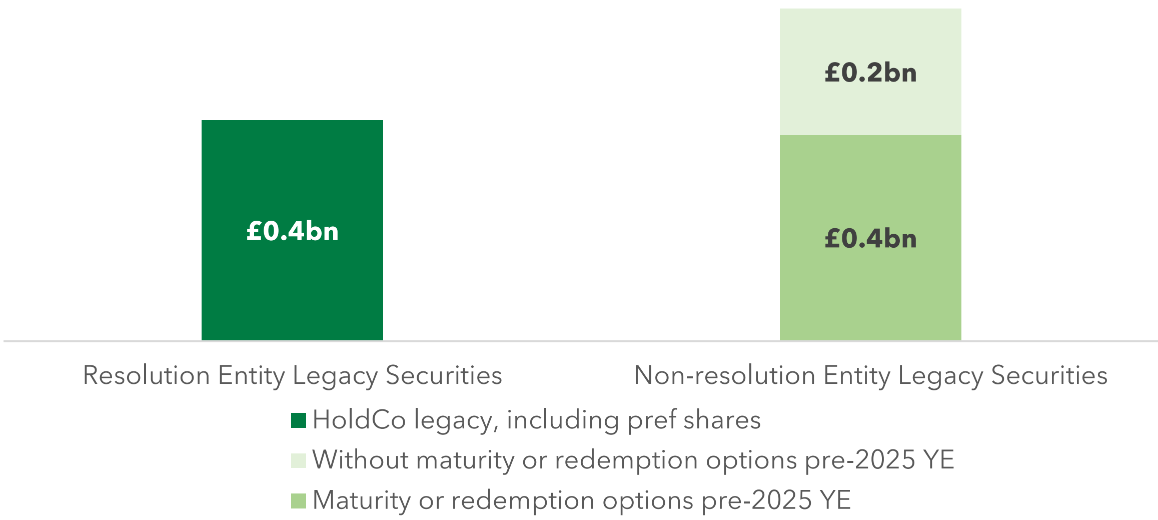
The structure of our issuance supports the SPE resolution strategy, with the HoldCo issuing MREL eligible debt externally, and the Group's material subsidiaries issuing MREL eligible debt to the HoldCo, directly or indirectly. Surplus MREL, the difference between the amount of debt issued externally from the HoldCo and debt issued internally to the HoldCo, is readily available to allow the BoE flexibility in resolution to recapitalise subsidiaries further as required. The Group complies with the 'clean HoldCo rules' which limit the amount of non-MREL eligible liabilities at the HoldCo and monitors the position on an ongoing basis. This ensures MREL resources can be bailed in effectively without legal or operational challenge to support the resolution strategy and meet the regulatory requirements.

We plan, monitor and report MREL requirements leveraging established business as usual ('**BAU**') processes which meet ongoing requirements in BAU and throughout the resolution timeline.

We have developed a playbook and tested our capabilities to operationalise bail-in. The playbook includes the process for identifying the population and quantum of bail-in-able instruments, executing the bail-in of those instruments, issuing certificates of entitlement ('**CEs**') and exchanging CEs into LBG plc shares on exit from resolution. These capabilities have been developed in line with the BoE's guidance and in conjunction with third parties involved in the bail-in process such as Issuing and Paying Agents ('**IPAs**'), Trustees, Share Registrars, Exchange Agents and advisors from leading Investment Banks. The playbook is tested and reviewed on a regular basis.

Changes to the PRA's capital eligibility rules have resulted in certain capital instruments becoming ineligible as regulatory capital and MREL. These instruments are considered 'Legacy' Securities. The outstanding amount of Legacy Securities at end Q2 2024 totals £1.0bn, with £0.4bn of that amount issued from HoldCo, our resolution entity, meaning the BoE have the power to exercise bail-in. There is only one non-HoldCo Legacy Security (notional c£0.2bn) without a maturity or redemption option prior to the end of 2025. This is compared to fully counting MREL resources of c.£70.3bn as at June 2024.

Legacy Securities



Since the 10th June 2022 public disclosure, the Group has continued to review, enhance and test our capabilities as part of the Group's commitment to continuous improvement. In 2021 and 2022, we conducted MREL fire-drills, which imitated a resolution scenario and required senior stakeholders to make key decisions along a resolution timeline. Further, the Group conducted a test in 2023, which demonstrated our capability to enact our MREL resolution playbook and included engagement from key stakeholders, including the Group's Board. We continue to deliver upon our Legacy Securities action plan, including being proactive in identifying opportunistic repurchases, and have further strengthened our approach to legal assurance with respect to the eligibility of our MREL resources.

6.2 VALUATION IN RESOLUTION

What is Valuation in Resolution ('ViR')?

ViR refers to the requirement to produce robust and timely valuations of the Group and its component parts. Timely and robust valuations are critical to ensuring that resolution action is sufficient to address the full extent of losses, that creditors are treated fairly through resolution, and that risks to public funds are minimised.

In order to conduct an orderly resolution, it is important to have the capability to produce robust and timely valuations of the Group and its component parts and update those valuations dynamically as the resolution process progresses. These valuations are needed to inform a number of decisions throughout the process, including: (i) determining whether the Group is FOLTF; (ii) informing the extent of re-capitalisation / bail-in required to restore capital adequacy for the ongoing business at both Group and legal entity level; (iii) understanding the relative merits of various restructuring options to help optimise the restructuring plan to return the Group to viability and inform creditor compensation, and (iv) assessing what the outcome would be in an alternative hypothetical insolvent wind-down scenario to ensure NCWO as a result of the resolution actions taken such as bail-in.

In order to achieve these objectives, the Group has developed specific ViR capabilities. In order to perform these valuations in a resolution scenario the Group will use its existing data, modelling and MI reporting processes and tools, enhanced with bespoke ViR processes and analysis. These capabilities enable the Group to produce valuations to assess the accounting, economic, and equity value of the Group, including the ability to forecast and conduct high-level sensitivity analysis. The ViR capabilities we have developed have been tested to ensure that they are suitably robust and can be operated in a timely manner to inform key decision making throughout the resolution process from before the decision that resolution is required has been made, through bail-in, restructuring and eventual exit from resolution. As part of this testing, we have made enhancements to our playbook documentation and added controls to ensure this documentation remains up to date as well as identified further areas of improvement.

Following its second RAF assessment, the BoE has identified an 'area for further enhancement' with respect to the Group's approach to achieving the Adequate Financial Resources outcome, relating to the Group's Valuations capabilities. This observation relates to the ability to deliver analysis of asset and liability valuations in sufficient detail in the context of resolution, and having the necessary information prepared, ahead of a resolution, to onboard an Independent Valuer. The Group are in the process of enhancing current processes and documentation to address the BoE's feedback and have engaged with the BoE on this issue.

The Group is developing a work plan to address these observations raised by the BoE. Independent Valuer documentation will be further developed during 2024, Valuations MI will be reviewed to understand areas of improvement and further Valuations testing will be undertaken in 2024, specifically targeting BoE feedback points alongside self-identified areas of improvement. The Group remains comfortable that the valuations processes can be conducted in line with our resolution execution plan.

6.3 FUNDING IN RESOLUTION

What is Funding in Resolution ('FiR')?

FiR refers to ensuring we continue to meet our obligations as they fall due. A bank must be able to estimate, anticipate and monitor potential liquidity resources and needs and mobilise liquidity resources in the approach to and throughout resolution.

The purpose of FiR is to ensure adequate liquidity through pre-resolution, as well as being able to raise funding to meet the needs of restructuring post the resolution weekend. To achieve the FiR requirements, the Group has capabilities to monitor the liquidity position at material legal entity level, analyse various scenarios that could arise through resolution, and monitor and mobilise liquidity sources.

The Group can perform liquidity reporting and analysis through stress and resolution on a timely basis, supported by the daily production of data and reporting across liquidity groups, material entities and currencies. We can plan, monitor and report liquidity needs leveraging established reporting and forecasting capabilities, alongside newly developed resolution capabilities, in both the short term and up to three years including the latest economic scenarios.

The Group fully meets both the regulator's and its own expectations regarding FiR requirements and capabilities. Since the last public disclosure, the capability enhancements which were in progress during the first RAF assessment have been completed. The Group has delivered two enhancements to its stress testing capabilities. The first enhancement goes beyond the Group's internal liquidity stress scenarios by including resolution-specific liquidity drivers. The second enhancement builds on our existing capabilities, remediates the previously identified issue, and provides the ability to produce and consolidate longer term liquidity projections covering the key phases of the stylised resolution timeline as shown in Section 5. The Group has achieved this by building, testing and implementing a new FiR module within the Group's liquidity system, producing MI which provides the capability to:

- Model liquidity projections over a stress continuum at an increased granularity, combining the impact of a prolonged stress and potential outflows in the run-up to and during resolution;
- Allow greater flexibility in modelling the variability of cash flows and resolution stress factors around any assumed resolution date; and
- Provide greater sensitivity analysis on a range of liquidity projections, from worst-to best-case outcomes in the event of resolution.

The Group has well developed capabilities to monitor and mobilise both current and future liquidity resources. These capabilities have been leveraged and enhanced in the context of resolution and can be split into either the monitoring and mobilisation of primary liquidity resources; or secondary liquidity resources including central bank support. Primary liquidity resources in the form of High-Quality Liquid Assets ('**HQLA**') are monitored and managed daily and are made up of central bank reserves, outright securities, and repo activity. Secondary liquidity resources are in the form of customer lending assets, retained securitisation and covered bond holdings readily available as collateral in the event of resolution, a significant proportion of which are already pre-positioned with the BoE, which can be monitored daily in the event of resolution.

The Group's funding and liquidity position is underpinned by its significant customer deposit base and is supported by strong relationships across customer segments. The composition of the Group's funding results in a low Liquidity Coverage Ratio ('**LCR**') outflow requirement relative to the overall size of the funding base, as a large proportion of this stable funding base comes from Retail customer deposits. The LCR also captures both contractual derivative outflows and the impact of an adverse market scenario on derivative outflows and collateral calls. In addition, derivative outflows are subject to internal risk appetite through the Group's stress testing.

Further details on the Group's liquidity portfolio can be found in the Risk Management section of the 2023 Lloyds Banking Group plc Annual Report and Accounts (Funding and Liquidity section) and the Pillar 3 disclosures, available at:

www.lloydsbankinggroup.com/investors/financial-downloads

6.4 CONTRACTUAL STAYS IN FINANCIAL CONTRACTS

What is Contractual Stays in Financial Contracts ('Stays')?

A key aspect of effective resolution is ensuring that, once a bank enters resolution, its counterparties in derivatives and other financial contracts cannot terminate and 'close out' their positions solely as a result of the firm's (or a related entity's) entry into resolution.

The objective of contractual Stays is to support business continuity in resolution by addressing the risk of early termination of financial contracts. The Group achieves this not only by including a provision that ensures that the UK special resolution regime will apply in contracts governed by the laws of a non-UK jurisdiction, but also by having readily available data to calculate contract value at risk in resolution and enable communication with key counterparties.

Readily available information on financial contracts enables identification of trades, contracts and counterparties which are both in and out of scope for Stays rules. This data can be used to calculate the total contract value at risk of termination upon entry to resolution. Established communications capabilities are also in place to ensure that key counterparties understand their legal obligations in relation to Stays throughout the resolution process.

6.5 MAINTAINING OPERATIONAL CONTINUITY OF THE GROUP IN RESOLUTION

What is Maintaining Operational Continuity of the Group in Resolution ('OCIR')?

OCIR aims at ensuring critical banking functions continue to be provided to customers should a bank be in resolution.

The purpose of OCIR is to ensure continuity of banking services and critical functions through resolution. We achieve this by making readily and rapidly available comprehensive information on functions and services across the Group to facilitate monitoring of both service provision and financial resources required to operate through resolution and restructuring and to support the BRP.

As outlined previously, the Group operates a Shared Service Model and does not have a separate service company. All services are provided by the RFB which has significant resources, thereby safeguarding the service provision to divested entities in recovery and resolution.

The Group has established a comprehensive OCIR service catalogue. This enables timely identification of services provided both internally and externally in the event of a recovery or resolution scenario, providing the basis with which to monitor and escalate service provision performance.

Contractual continuation of service clauses have been agreed and included in all critical supplier contracts to support the continuation of services through resolution. Since 2016, the Group has included continuation of service and divested entity clauses in OCIR critical supplier contracts. The clauses stipulate that the supplier must commit to providing the service (in some cases for a defined period of time) in the event of resolution. Resolution clauses also stipulate that the supplier commits to providing services to a future divested entity for a period of time to support restructuring requirements.

The Group holds segregated liquidity to support the continued provision of critical services through resolution, and has done so since 2019, based on critical service cost data calculated in accordance with OCIR policy requirements. Cost updates can be refreshed in a timely manner to ensure liquid asset reserves are adjusted as required.

OCIR capabilities are well established within the Group, facilitating service performance monitoring and escalation, as well as supporting the creation of Transitional Service Agreements in resolution. These established capabilities have continued to be enhanced through considerable divestment experience.

6.6 MAINTAINING THE CONTINUITY OF ACCESS TO FINANCIAL MARKET INFRASTRUCTURE

What is Access to Financial Market Infrastructure ('FMI')?

FMI is a multilateral system among participating financial institutions, used for the purposes of recording, clearing, or settling payments, securities, derivatives, or other financial transactions. FMI include payment systems, central securities depositories ('**CSDs**'), securities settlement systems ('**SSSs**'), and central counterparties ('**CCPs**'). It does not extend to trade repositories or to trading platforms.

Access to FMI is required to record, clear, or settle payments, securities, derivatives, or other financial transactions. Access to FMI is therefore essential for banks to be able to continue to operate and provide critical functions.

The Group has identified critical FMI service providers (direct and indirect memberships throughout the Group) and designed contingency plans, documented in playbooks, which include the operational steps to support maintaining access. These are live documents, which are reviewed regularly and updated based on the continuous evolution of our understanding of FMI service providers.

For these contingency plans to be credible, there is significant reliance on understanding the expectations and plausible actions of FMI service providers in stress and resolution. We have reviewed industry-wide questionnaires completed by FMI service providers, held bilateral discussions with FMI service providers and participated in working groups aimed at improving clarity on membership requirements.

We actively monitor the membership requirements of FMI service providers and maintain a view of how those requirements may change in a stress and resolution scenario. For example, a significant deterioration in the financial stability of the Group is likely to lead to FMI service providers expecting pre-payment or collateral. In addition, we expect heightened communication with FMI service providers in resolution and a requirement for additional information. To support this, we have the capability to produce settlement and forecast transaction data and the ability to calculate and post collateral as required, working closely with our Funding & Liquidity teams.

The Group has also established an FMI service provider monitoring framework with defined triggers, and clear roles and responsibility for invoking contingency plans.

6.7 IMPLEMENTING AND EXECUTING CREDIBLE AND VIABLE RESTRUCTURING PLANS

What is Implementing and Executing Credible and Viable Restructuring Plans ('Restructuring Planning')?

The objective of Restructuring Planning is to ensure that a bank is able to plan and execute restructuring effectively and on a timely basis in the event of resolution.

Restructuring may be required to address the cause(s) of failure, enable a return to a viable business model and support the continuity of banking services and critical functions in the UK. In the context of resolution, this also means that the proposed restructuring options should be viable to facilitate a return to private control. Actions are highly dependent on the cause(s) of failure and so the preferred options are not known ex-ante.

A BRP would be approved in resolution, under the direction of the BIA and/or our Board. This plan would consider the cause(s) of failure and include the chosen restructuring options and an assessment of the strategic, financial, and operational viability of the Group on an ongoing basis post execution of these options. The BRP will also include the implementation steps to execute the restructuring taking into account recovery actions that may already be in progress.

We have established a process to enable the creation of a credible BRP in a timely manner, so as to meet the resolution planning objectives. To support this, we have identified a suite of restructuring options that are flexible and comprehensive to respond to a range of circumstances. We will leverage the valuations processes to carry out the base-case and worst-case scenario analysis on the financial projections. This will inform an assessment of the financial viability of the Group post various restructuring actions. Dedicated restructuring option playbooks have been developed detailing the credibility assessments, in particular, the operational severability considerations, which form the basis of the operational viability considerations. We also expect to leverage our established Group Strategy capabilities to support the strategic viability assessment of the BRP.

Implementation of the BRP will utilise our considerable divestment experience in accordance with established execution policies and guidelines.

Our restructuring options:

1. are diverse, flexible, and Group-wide, enabling the BIA and/or Directors of the Firm to respond to various scenarios impacting the different business lines and legal entities;
2. balance financial benefits with the loss of franchise and incomes, and the execution costs;
3. ensure continuity of banking services and critical functions in the UK; and
4. are realistic and achievable for credible execution within appropriate timelines (supported by significant Group experience).

Enhancements within the restructuring planning impediment since the last RAF cycle have focussed on the maintenance and improvement of documentation and the ongoing identification of restructuring options and regular testing.

The test scenario undertaken by the Group was a key improvement to testing Restructuring Planning capabilities in the 2023 RAF cycle. It confirmed the ability of senior management to select appropriate restructuring options and ensured information provided in the BRP contained the MI required by senior executives to make key decisions.

6.8 MANAGEMENT IN RESOLUTION

What is Management in Resolution?

Management in Resolution focuses on ensuring key job roles are suitably staffed and incentivised in resolution. There should be regard to the potential extent of turnover in a resolution scenario, the need to replace management deemed responsible for the failure, and the need for staff to carry out a large number of business-as-usual and resolution-specific actions to support orderly resolution.

Our management framework is critical to facilitate business continuity and an orderly resolution. As such, the Group has robust processes and controls in place to identify key job roles, as well as retention and succession frameworks. These ensure key roles continue to be appropriately incentivised and staffed providing for continuity of business-as-usual activities, material decision making and coordination prior to and during any resolution.

The Group's organisational design and Senior Managers and Certification Regime ('**SMCR**' or '**SMR**') processes are closely aligned to the work required in resolution to facilitate redeployment of resources to areas of demand in a resolution scenario.

The Group has a system of controls and regular testing in place to ensure that the management framework remains fit for purpose in a resolution scenario.

6.9 COMMUNICATIONS THROUGH RESOLUTION

What is Communications through Resolution?

A bank should be able to plan and deliver effective communication in resolution, considering the extent and sensitivity of communication that will be required to provide confidence to both internal and external stakeholders. This includes identifying any market communications that may be required, identifying groups of relevant stakeholders where communications would be necessary or desirable in resolution, and ensuring resolution communication plans could be developed on a timely basis in a pre-resolution contingency planning period.

The purpose of communications in resolution is to deliver timely and effective communication to internal and external stakeholders, supporting the business in managing an orderly resolution. The Group has multi-audience, multi-channel communications capabilities with clearly identified audience groups, leveraging established processes and capabilities.

These capabilities are regularly proven through high scale, impact and sensitive scenarios where communications are required to provide core messages and confidence to internal and external audiences. Examples include Full Year Results, strategy announcements and leadership changes and previously communications throughout the 2020 global pandemic, EU Exit and ring-fencing.

Our core communications teams (Group Corporate Affairs, Chief Customer Office, Investor Relations and Group Secretariat) and business subject matter experts work collaboratively including through membership of communications working groups.

The approach in resolution would follow the proven approach and capabilities, with these considered to be relevant, robust and sufficient to meet the requirements of communicating in resolution – with rapid development, approval and delivery of communications.

A range of regular, targeted, proactive and audience-specific communications methods, ranging from website, SMS, email, and social media content for customers, to letters, press releases and direct engagement with other key stakeholders including media and investors, would be employed to ensure the Group provides clear and timely communications and engagement throughout.

Since the last public disclosure, the Group has obtained further assurance around communication processes and enhanced its supporting documentation to provide further context on the key resolution communications channels and resolution capabilities.

6.10 ENSURING CONTINUITY OF TIMELY DECISION-MAKING AND OVERSIGHT ARRANGEMENTS IN RESOLUTION

What is Ensuring Continuity of Timely Decision-Making and Oversight Arrangements in Resolution ('Governance')?

A bank should be able to ensure that effective decision-making and oversight arrangements will be in place in resolution, considering the need to ensure rapid decision-making in the context of uncertainty, and to account for changes to the firm's governance that may be introduced in resolution. In the case of a Bank-led bail-in, this may involve the appointment of a BIA responsible for certain strategic decisions and to carry out certain senior roles within the firm.

The Group is able to leverage existing Governance structures and capabilities to meet resolution requirements, facilitating a straightforward transition between BAU and resolution.

As outlined in the Introduction, our resolution strategy comprises a BoE-led bail-in and the appointment of a BIA, with the Resolution Instrument[6] providing direction on the nature of the BIA role. We have considered the fact that our BAU governance arrangements provide the ability to make decisions at short notice upon entry into resolution; and that the flexibility of our Corporate Governance Framework ('**CGF**') facilitates a straightforward transition regardless of the role of the BIA. With direct, well-understood and clear lines of escalation, and provisions which enable the Boards of the Group and its subsidiaries to take an agile approach to governance, resolution can be coordinated in an efficient manner, facilitating decision-making at pace and with clear accountability.

Upon commencement of any stress event that may lead into recovery or resolution, the established GIM framework would support the Group's response to the event, with capabilities proven during major stresses including the Covid-19 pandemic. Resolution-specific governance (including Resolution Steering Committee supported by Accountable Executive Steering Committees, Forums and Working Groups) provides an additional layer of support to management and the BIA, with Accountable Executives and subject matter experts supporting the coordination of the resolution outcomes.

As a large but comparatively simple UK Group, existing governance arrangements are considered sufficiently flexible and robust to facilitate rapid execution of decisions in resolution. Recognising the effectiveness of the Group's governance structure, the Group considers that all existing Board and executive governance committees and mandates would continue to operate in resolution.

[6] Bail-in Resolution Instrument is made by the Bank of England at the point of entry into resolution. It would formally place the firm into resolution and contain actions to give effect to the bail-in including the issuance of CEs to creditors affected by the bail-in. *Executing bail-in: an operational guide from the Bank of England July 2021*

Our resolution governance includes the following key aspects, each of which is described in more detail throughout the document:

- **A GIM Framework & 'In Resolution' governance structure** that provides a framework and structure for engaging senior teams and management in charge of decision-making covering all key aspects our resolution strategy execution, with support from subject matter experts;
- Our **stress crisis continuum** which is designed to provide defined contingency levels to support appropriate escalation;
- A **comprehensive set of playbooks**, including master playbooks, that serve as an overarching guide for senior management to manage and co-ordinate all Group-wide actions responding to incidents, such as a resolution event.

Group Incident Management Framework

The Group has a mature and well-established GIM framework to manage the Group's response to incidents as they occur, as well as testing and evidencing operational resilience / readiness through incident response exercises.

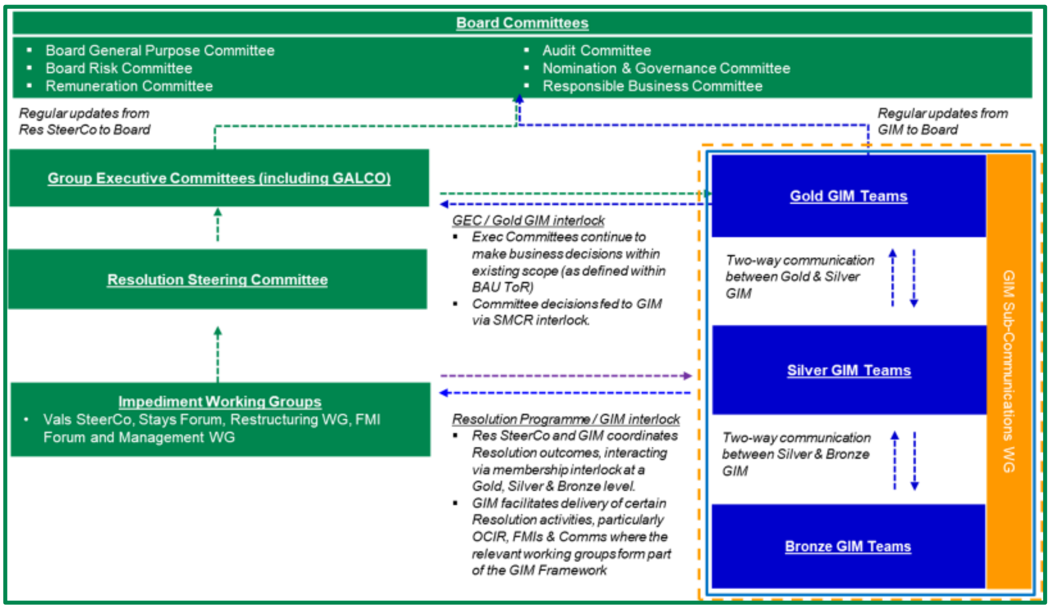
The GIM framework has four levels, referred to as Gold, Silver, Bronze and Emerald, which deal with the most significant incidents in the Group. In a crisis, this tiered structure allows a clear differentiation of responsibility for the three key management activities;

1. Strategic direction and critical decision making;
2. Customer treatment, operational co-ordination across the organisation and other external parties; and
3. Technical fix and resolution of the issue.

The Gold Team is made up of Group Executive members who are responsible for setting the Group strategic intent for the incident response, agreeing the communication strategy and assessing the strategic implications. The Silver team operate in parallel to define and manage the customer treatment, operational co-ordination, communication approach and technical responses to the incident, with representation from all Group business units / functions. These Gold and Silver teams may be further supported by the Bronze team at a business unit level, as well as by separate sub-working groups that focus on key areas such as people, communications and customer response. These teams are regularly convened in the case of natural or man-made disasters, cyber or IT threats/issues, providing the opportunity to test regularly in real time. The Emerald Team supports external incidents that have no direct impact on the Group but where a coordinated response is required.

'In Resolution' Governance Structure

Although the exact 'In Resolution' governance structure would be confirmed and approved by the Board following receipt of the Resolution Instrument, the diagram below details expected interaction between the Group's GIM teams and processes, the BAU Executive and the Board and / or its committees, and the resolution-specific governance. This would be ahead of any public announcement of the Group entering Resolution and would depend on any direction received from the BoE or as set out in the Resolution Instrument.



Our Board of Directors provides the ultimate oversight of the resolution activities carried out by senior management. The purpose of the Resolution Steering Committee throughout resolution is to lead and coordinate effective execution of the Group's resolution strategy. GIM will facilitate and co-ordinate cross Group Gold and Silver team members to support key resolution activities, particularly relating to FMIs, OCIR and Communications. For example, where required, escalations may occur from GIM Gold Chair to the Group Executive Committee ('**GEC**') or Board to ensure operational continuity is maintained.

Significant membership overlap exists between Gold GIM and the GEC, and between Silver GIM and Resolution Steering Committee. This interaction with members' SMCR responsibilities supports rapid decision-making and incident coordination, whilst the continued running of BAU Committees and Resolution Steering Committee ensures subject matter expert knowledge is utilised in making resolution-specific decisions.

7 OUR GOVERNANCE PROCESS SUPPORTING THE DEVELOPMENT, MAINTENANCE AND ASSURANCE OF OUR RESOLUTION CAPABILITIES

We have established governance to support the Group's ability to deliver the three BoE resolvability outcomes, leveraging established roles and responsibilities and committees for the management of risk, and integrating resolution considerations into the management and oversight of our Group activities. This includes a Resolution Steering Committee which has been established as the key oversight committee for resolvability capabilities and outcomes. The Resolution Steering Committee is supported by Accountable Executives, including their Steering Committees / Forums / Working Groups.

Accountable Executives have been appointed based on the alignment of capabilities with their core BAU accountabilities and responsibilities. This ensures that management has requisite expertise to design, test and maintain appropriate capabilities that fulfil their resolution responsibilities.

Our framework for ensuring that management actions are sufficient to meet the three BoE resolvability outcomes follow the principles of the Group's Three Lines of Defence ('**3LOD**') model. In particular:

- (a) Structured oversight by BAU governance bodies at the Executive and Board level;
- (b) First Line of Defence accountability at the Executive level for capability design and testing; and
- (c) Independent review, challenge and assurance provided by Second and Third Line of Defence.

This arrangement is set out below in our overview of our Group governance structure as relevant to resolvability:

- The Group Board Risk Committee ('**BRC**') review and challenge updates to capabilities and assurance of resolution outcomes.
- The Group Chief Executive is responsible for the Group's resolution planning and for overseeing the internal processes regarding its approval and governance (our Recovery & Resolution Planning Senior Manager, or '**RRP SMR**'). The Group Asset and Liability Committee ('**GALCO**') has the delegated authority to recommend the RAF self-assessment to Board for approval, providing the oversight of resolution planning and resolvability.
- The Resolution Steering Committee reports to GALCO and directs and monitors all activities relating to resolution planning, including monitoring capabilities and resolution outcomes.

Our Three Lines of Defence

Our RAF is implemented through a 3LOD model which defines clear responsibilities and accountabilities and ensures effective independent oversight and assurance activities take place covering key decisions.

Business lines and functional areas (first line) have primary responsibility for resolution capability decisions, identifying, measuring, monitoring and controlling capabilities within their areas of accountability. They are required to establish effective governance and control frameworks for their business to be compliant with Group policy requirements, to maintain appropriate resolution capability management skills, mechanisms and toolkits, and to act within Group risk appetite parameters set and approved by the Board.

Risk division (second line) is a centralised function, headed by the Chief Risk Officer, engaging with the first line, providing oversight of the effectiveness of assurance components and plans, documentation and testing in achieving resolvability requirements and outcomes. The Risk division provides an independent opinion on the RAF submissions and resolution capabilities.

The primary role of Group Internal Audit in the context of resolution is to help the Board and executive management protect the assets, reputation and sustainability of the Group. Group Internal Audit is led by the Group Chief Internal Auditor. It has done this in 2023 by:

- Assessing whether all significant risks in relation to resolution planning are identified and reported appropriately to the Board and Executive Management of the Group;
- Assessing the design and operation of key controls operated by 1st and 2nd Line to determine whether they are effective at mitigating significant risks e.g. to ensure compliance with BoE's regulatory requirements in relation to resolution planning;
- Challenging Executive Management to improve the effectiveness of governance, risk management and internal controls by providing assurance over the effectiveness of the first and second line of defence functions.

Group Internal Audit is a single independent internal audit function, reporting to the Audit Committee of the Group and the Audit Committees of the key subsidiaries. An audit on the Group's resolution capabilities was completed in 2023 prior to the Group's RAF submission.

Testing

- We have established a clear and robust Board-approved Testing Framework which has been designed to provide the Board and senior management with assurance of our continued ability to meet the three resolvability outcomes. The Board approves the Testing Framework on a biennial basis alongside the RAF Self-Assessment. Testing results are monitored on an ongoing basis by the Resolution Steering Committee and reported to the Board semi-annually.
- We have carried out testing of our capabilities and resolution deliverables, including an end-to-end test held with the Board, senior management and NEDs. These exercises ensured a clear understanding of the end-to-end resolution process: the governance, key senior management decisions, activities undertaken and associated timelines.
- We will continue to conduct regular testing, especially the use of practical exercises in the form of fire-drills. Key learnings from our ongoing testing will be used to continuously improve our capabilities and our end-to-end resolution process.

8 FURTHER ENHANCEMENTS TO OUR RESOLVABILITY

The Group will continue to work with the BoE regarding their findings in areas of asset and liability valuations and Independent Valuer onboarding capabilities (as outlined in Section 6.2) and we are committed to continue enhancing our capabilities and assurance in these areas. The Group have made enhancements to our playbook documentation following the test exercise undertaken on our valuation capabilities including adding further controls to ensure documentation remains up to date.

9 EXTERNAL FACTORS THAT COULD PREVENT RESOLVABILITY OUTCOMES FROM BEING ACHIEVED

Resolution is complex and, despite our capabilities in place, its success will never be entirely guaranteed. The Group's resolution capabilities are designed to be sufficiently flexible to respond to a variety of scenarios. However, there are factors that could arise outside of our control which may directly or indirectly impact the ability to implement the Group's resolution execution plan and achieve the resolvability outcomes. These factors are discussed below.

Cooperation with Regulators / International Authorities

Our international business areas and activities are outlined in Section 4. Whilst they are not material in terms of their size or their provision of critical functions, the Group and the BoE would work with other host authorities to ensure continued authorisation for those international areas to ensure we can continue to achieve the resolution outcomes. A key learning from the market events from 2023 related to the need for cross-border cooperation by regulatory authorities to ensure the successful execution of a bail-in strategy.

Access to market participants

Whilst we have identified a suite of restructuring options that are comprehensive and cover all material parts of the Group, we recognise market capacity driven by a systemic crisis will have an impact on the credibility and viability of restructuring options. We will also adapt our management of market/liquidity risk positions depending on the depth and characteristics of the relevant market at the time.

Access to FMI and counterparties

Despite the extensive work we have performed with FMI to develop specific contingency plans to support the continuity of access through stress and resolution, FMI are not obligated to continue to provide this access. The Group is also subject to the risk of deterioration of the commercial soundness and/or perceived soundness of other financial services institutions within and outside the UK. Financial services institutions that deal with each other are interrelated as a result of trading, investment, clearing, counterparty and other relationships. This presents systemic risk and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Group interacts on a daily basis, any of which could have a material adverse effect on the Group's ability to raise new funding as required.

Additional Risk Factors

Our 2023 Form 20-F disclosures provide comprehensive discussion on risk factors assessed by the Group, available at:

www.lloydsbankinggroup.com/investors/financial-downloads

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and Section 27A of the US Securities Act of 1933, as amended, with respect to the business, strategy, plans and/or results of Lloyds Banking Group plc together with its subsidiaries (the Group) and its current goals and expectations. Statements that are not historical or current facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward-looking statements. Words such as, without limitation, 'believes', 'achieves', 'anticipates', 'estimates', 'expects', 'targets', 'should', 'intends', 'aims', 'projects', 'plans', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'may', 'seek', 'estimate', 'probability', 'goal', 'objective', 'deliver', 'endeavour', 'prospects', 'optimistic' and similar expressions or variations on these expressions are intended to identify forward looking statements. These statements concern or may affect future matters, including but not limited to: projections or expectations of the Group's future financial position, including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), expenditures or any other financial items or ratios; litigation, regulatory and governmental investigations; the Group's future financial performance; the level and extent of future impairments and write-downs; the Group's ESG targets and/or commitments; statements of plans, objectives or goals of the Group or its management and other statements that are not historical fact and statements of assumptions underlying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, targets, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward-looking statements include, but are not limited to: general economic and business conditions in the UK and internationally; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the conflicts in the Middle East; the tensions between China and Taiwan; political instability including as a result of any UK general election; market related risks, trends and developments; changes in client and consumer behaviour and demand; exposure to counterparty risk; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's credit ratings; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of the Group's securities; tightening of monetary policy in jurisdictions in which the Group operates; natural pandemic and other disasters; risks concerning borrower and counterparty credit quality; risks affecting insurance business and defined benefit pension schemes; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Group; risks associated with the Group's compliance with a wide range of laws and regulations; assessment related to resolution planning requirements; risks related to regulatory actions which may be taken in the event of a bank or Group failure; exposure to legal, regulatory or competition proceedings, investigations or complaints; failure to comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations; failure to prevent or detect any illegal or improper activities; operational risks including risks as a result of the failure of third party suppliers; conduct risk; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; technological failure; inadequate or failed internal or external processes or systems; risks relating to ESG matters, such as climate change (and achieving climate change ambitions) and decarbonisation, including the Group's ability along with the government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively, and human rights issues; the impact of competitive conditions; failure to attract, retain and develop high calibre talent; the ability to achieve strategic objectives; the ability to derive cost savings and other benefits including, but without limitation, as a result of any acquisitions, disposals and other strategic transactions; inability to capture accurately the expected value from acquisitions; assumptions and estimates that form the basis of the Group's financial statements; and potential changes in dividend policy. A number of these influences and factors are beyond the Group's control. Please refer to the latest Annual Report on Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commission (the SEC), which is available on the SEC's website at www.sec.gov, for a discussion of certain factors and risks. Lloyds Banking Group plc may also make or disclose written and/or oral forward-looking statements in other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group plc to third parties, including financial analysts. Except as required by any applicable law or regulation, the forward-looking statements contained in this document are made as of today's date, and the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document whether as a result of new information, future events or otherwise. The information, statements and opinions contained in this document do not constitute a public offer under any applicable law or an offer to sell any securities or financial instruments or any advice or recommendation with respect to such securities or financial instruments.