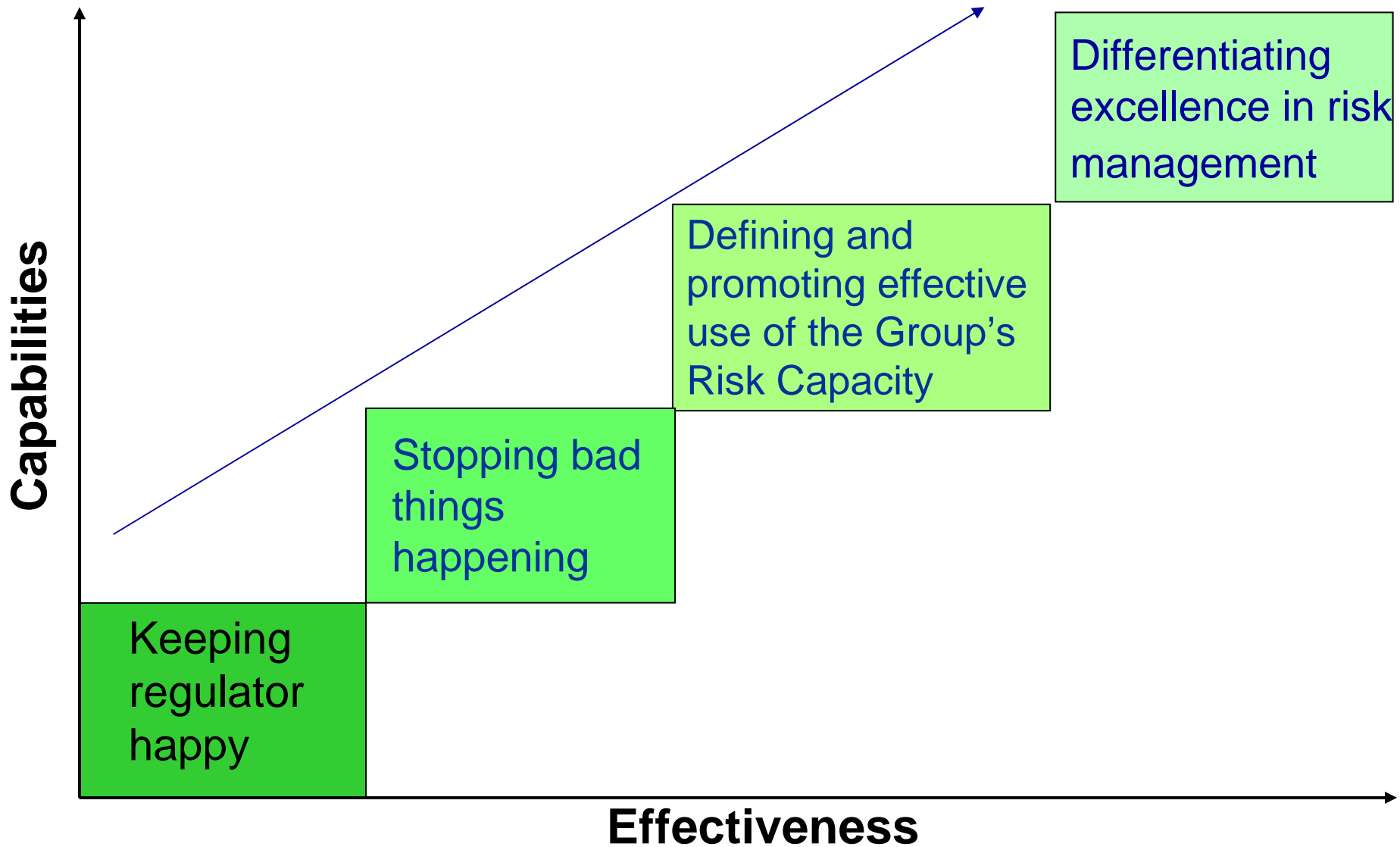




Risk Governance in Lloyds TSB

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Goal: Risk management is a core Lloyds TSB capability that enables us to outgrow and out compete our rivals in UK markets and beyond





The Three lines of defence model

1st line of defence

Business unit risk
officers (functions)

line management (all levels)
manage the risks in their business

2nd line of defence

‘oversight’ fns. division & group

- develop the risk framework
- oversee risks taken on by the business

3rd line of defence

Group Audit provide
independent assurance



Respective Risk Management responsibilities

Group Risk

- Policy and risk appetite
- Risk measurement and aggregation including diversification
- Reporting and oversight
- Group impact new products / strategic initiatives / risk in plans:

Divisional Risk

- Allocation of limits across the division
- Approval of divisional products
- Monitoring of day to day exposures

Business Units

- Owners of P&L and therefore risk, incentivised by both
- Processing and control, not just the former.

Group Audit

- Risk based, more high level, testing governance processes
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How this works for Market Risk

GALCO

- Overall responsibility for market risk governance group-wide
- Approves high level market risk policy and limits
- Reviews exposures, risk/return and governance framework
- Manages Group's strategy for capital, funding and liquidity

Group Risk

- Recommends limits and investment policies to GALCO
- Review of exposures, risk appetite
- Oversight of ALM

Group Finance

- Balance Sheet Management / ALM, capital raising

Line Functions

- Onward cascade of limits
 - Appropriate control of risks, including future
 - Use approved methodologies for assessing market risk
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