

NAME: Carmen De Luca

STUDENT NUMBER: 2207751

MODULE: LCMB7012

LECTURER: Konstantina Mira

COURSE: Banking financial Management and financial
markets

SUBMISSION DATE: 09/01/2023

1. INTRODUCTION executive summary
2. History
3. After the crisis
 - 3.1. Regulations United Kingdom
 - 3.2. Regulations United States
 - 3.2.1. Dodd-Frank Wall Street Reform
 - 3.3. European Regulations – Basel
 - 3.3.1. Capital Requirements
 - 3.3.2. Leverage Ratio
4. Basel accords to end the crisis
5. Lloyds bank with Basel
 - 5.1. Basel II
6. Financial analysis of Llyods 2008 and 2021
 - 6.1. Income statement of Lloyds
 - 6.2. Balance sheet
 - 6.3. Profitability
 - 6.4. Liquidity
 - 6.5. Leverage
7. CONCLUSION
8. REFERENCES

1. EXECUTIVE SUMMARY

The financial crisis began in the United States firstly with a housing market however, started to have ramifications for banks in Europe and across the world.

In fact, what at the beginning was a problem only in the housing sector became then a major financial crisis in the history.

In this elaborate the causes of financial crisis of 2008 are discussed and how it affected the whole world. Based on this, I will explain the regulations made by United Kingdom, United States and Europe to recover from the crisis.

Additionally, I will focus on Lloyds banking group and how they survived after the crisis with mention to the Basel accords.

The end of this document will be with a financial analysis of most important ratios of 2021 from Lloyds bank compared to 2008.

2. HISTORY

The subprime crisis, which occurred in 2007 and resulted in nearly half of US mortgages being issued as variable rate mortgages, was one of the factors that set off this economic recession.

This method has been successful in the past, but during the housing bubble, a disproportionately large number of subprime mortgages were approved for borrowers with poor credit and erratic income. These loans became more expensive when the Fed began regularly raising interest rates, and the borrowers were unable to repay them.

The assumption that housing prices would continue to rise and interest rates would remain low caused lenders to be far too eager to distribute so many risky loans all at once.



Investment banks' goals for their purchases of mortgage-backed securities appeared to be similar.

Homebuyers and the uniquely American desire to own a home only played a minor role in this, despite the fact that these parties undoubtedly took advantage of people with poor credit

who were in need of a place to live.

Predatory lenders were only too happy to assist people who became more careless with their own real estate investments as a result of their desire for upward mobility and bigger homes. Many people were left with no choice because they couldn't afford to pay their mortgage in monthly instalment and could not sell their homes without suffering a sizable loss.

Their homes were seized by the banks. As many suburbs became deserted ghost towns, homeowners were left in ruins. It was difficult to pay the steadily rising interest rates even for homeowners with good credit who were eligible for conventional mortgages.

By the time these homes were foreclosed upon, their value had drastically decreased. That suggested that banks were experiencing sizable losses related to real estate.

Mortgage-backed securities that investors had purchased saw a sharp decline in value, severely harming investors as well.

This was made more difficult by the fact that people kept buying homes even after the bubble began to pop in early 2007 and in 2006. Loans were given and received despite the decline in sales.

The investment banks that were buying and selling these defaulted loans started to go under. They could no longer receive loans from lenders. The economy fell completely apart in 2008.

3. AFTER THE CRISIS

Banks only make loans when they are certain they will be repaid. Therefore, when the economy is struggling, banks prefer to limit their lending. Even though they are making fewer new loans overall, the public must still continue making payments on their existing debts.

When money is used to repay loans, the problem is that it is "destroyed" and leaves the economy. The Bank of England stated:

"Just as taking out a new loan creates money, repaying bank loans destroys money... Banks making loans and consumers repaying them are the most significant ways that bank deposits are created and destroyed in the modern economy. " (Bank of England, Money Creation in the Modern Economy, p. 3–4)

When borrowers pay off their debt faster than banks are lending out new money, the economy shrinks and prices drop as a result. As a result, the economy is at risk of entering a "debt-deflation" spiral, in which prices and wages decline and consumer debt held by individuals maintains its original value while becoming comparatively more expensive in "real" terms.

3.1. REGULATIONS UNITED KINGDOM

The UK has altered its financial system regulation since the global financial crisis. The Financial Policy Committee (FPC) was founded and, in order to ensure that regulators take a comprehensive approach to preserving financial stability, this has

primary responsibility for identifying, monitoring, and mitigating risks to financial stability.

Since the financial crisis, UK banks have continued to increase their capital resources, more than doubling their risk-weighted capital ratios.

Overall, these are now in line with the FPC's assessment of the levels necessary for the UK banking system to withstand potential losses.

To ensure that banks can withstand periods of extreme stress, the Bank of England also tests the banking system's resilience annually.

The FPC determined in 2016 that "the banking system is in aggregate capitalised to support the real economy in a severe, broad, and synchronized stress scenario."

This scenario included a severe, synchronized recession in the UK and the rest of the world, along with related shocks to financial market prices and a separate stress from misconduct costs.

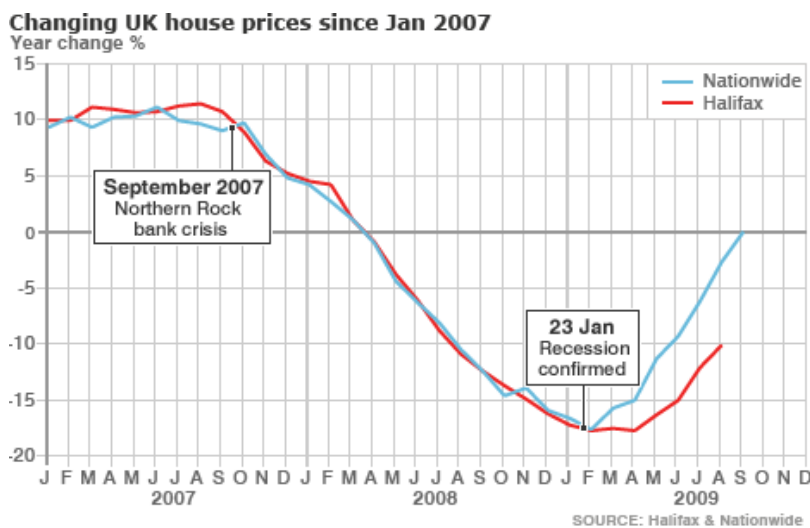


Figure 1 - Nationwide - UK house prices

that safeguards the larger economy and financial sector, the UK has implemented reforms.

In order to manage a company's failure in a way other than letting it enter a disorderly insolvency, the authorities can intervene through a process called resolution.

Particularly in the UK:

- enacted a comprehensive bank resolution regime:

The government in the UK has the resources necessary to handle the bankruptcy of companies in the financial sector thanks to the "special resolution regime."

The Bank will begin running an "exploratory" scenario in addition to its annual cyclical scenario this year.

The biennial exploratory scenario's goal is to test the system's resistance to risks that might not be clearly connected to the financial cycle.

In order to ensure that a bank's failure can be managed in a way

Giving the Bank of England the power to "bail-in" the shareholders and creditors of failing banks is a part of this. Using the bail-in tool to take its losses and the company's own assets will allow for the recapitalization of a failing business. Recently, large sums of loss-absorbing debt instruments that are appropriate for this use have been issued by UK banks.

- passed the Financial Services (Banking Reform) Act 2013:
which requires that by 2019, the largest UK banks will have separated their primary retail banking operations from their primary investment banking operations.

These adjustments enable the resolution authority to manage the sizable balance sheets that support investment banking separately from the crucial retail banking services when necessary.

3.2. REGULATIONS UNITED STATES

In response, the Federal Reserve and other US government agencies flooded the markets with cash and other forms of liquidity, cut interest rates, gave major financial institutions exceptional help, increased government spending, and took other actions to support the markets financially.

The 2008 financial panic and the extent of emergency public assistance needed to stop the flood created the ideal conditions for new financial regulation. The Dodd-Frank Wall Street Reform and Consumer Protection Act, also known as the Act or the Dodd-Frank Act, was passed by the US on July 21, 2010.

3.2.1. *Dodd-Frank Wall Street Reform*

During the Obama administration, in 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act, a significant piece of financial reform legislation, was



Figure 2 - Obama signing the Dodd-Frank Act

passed.

The main clauses of the law and how they operate are as follows:

- Financial Stability:

The Dodd-Frank Act mandates that the Financial Stability Oversight Council and the Orderly Liquidation Authority oversee the financial stability of significant financial institutions.

If these companies, which are regarded as being too big to fail, suffer significantly, the United States will be severely harmed.

The law permits liquidations or

restructurings to use the Orderly Liquidation Fund. In order to avoid using tax money to support such businesses, this fund has been established to help with the liquidation of financial companies that have been placed in receivership.

Banks that the council determines are too big and pose a systemic risk may be dissolved. The requirement for bank reserves may also need to be raised as a result.

- Consumer Financial Protection Bureau:

To stop predatory mortgage lending and assist consumers in understanding a mortgage's terms before signing, Dodd-Frank established the Consumer Financial Protection Bureau (CFPB).

This reflected the widely held belief that the subprime mortgage market was what actually brought about the crisis of 2007–2008.

The Consumer Financial Protection Bureau (CFPB) warns mortgage brokers against closing loans with higher fees and/or interest rates in order to earn higher commissions. It is forbidden for mortgage brokers to steer potential borrowers toward loans that will give them the highest commissions.

A variety of consumer lending products, including credit and debit cards, are governed by the CFPB, which also handles consumer complaints. All lenders, with the exception of auto lenders, must present information in a way that is easy for customers to read and understand.

- Volcker Rule:

The Volcker Rule restricts trading that is speculative, forbids trading that is proprietary, and limits the investment options available to banks. Banks are thought to view investing in hedge funds and private equity firms as being too risky.

Financial institutions are forbidden from engaging in proprietary trading without having enough "skin in the game" to avoid potential conflicts of interest.

The 1933 Glass-Steagall Act, which was the first to acknowledge the risks involved in financial institutions simultaneously offering commercial and investment banking services, undoubtedly served as a precursor to the Volcker Rule, to which it is obvious that it is a response.

Derivatives, like credit default swaps, which are also governed by law and are widely believed to have contributed to the financial crisis of 2007–2008, are another area of regulation. Centralized exchanges for trading swaps were established by Dodd-Frank to reduce the possibility of a counterparty default. More disclosure of swap trading information was required for those markets to become more open.

In an effort to prevent "too big to fail" institutions from taking significant risks that could harm the economy as a whole, the Volcker Rule also regulates how financial institutions use derivatives.

- Whistleblower Program:

The Sarbanes-Oxley Act (SOX) of 2002's whistle-blower program was strengthened and expanded by Dodd-Frank.

Specifically, it expanded the definition of a covered employee to include employees of a company's subsidiaries and affiliates, established a mandatory bounty program under which whistle-blowers can receive between 10% and 30% of the proceeds from a litigation settlement, and increased the statute of limitations for whistle-blowers to file a claim against their employer from 90 to 180 days following the discovery of a violation.

September and October of 2008 saw a real financial panic in the US and the rest of the world. The US reacted by taking a number of urgent measures to stabilize the financial system.

New financial regulation was made possible by the "perfect storm" of the 2008 financial panic and these emergency measures.

The Dodd-Frank Act, although it has unresolved some significant issues, is the most comprehensive revision of US financial regulation since the 1930s.

3.3. EUROPEAN REGULATIONS - BASEL ACCORDS

The Basel Committee on Banking Supervision (BCBS) issued the accords on banking supervision (recommendations on banking regulations), which are referred to as the Basel Accords.



Figure 3 - Basel timeline - Vousinas

Discussions among central bankers from important countries led to the creation of Basel I. Banks must have a minimum amount of capital, according to guidelines published in 1988 by the Basel Committee.

This is also known as the Basel Accord of 1988, and it became a legal requirement in the Group of Ten (G-10) nations in 1992.

The Basel I accord were replaced by Basel II, a new set of regulations that was created and published in 2004. In response to the financial crisis of 2007–2008, Basel III was improved.

Basel III is an addition to the Basel II Framework that already exists. It adds new capital and liquidity standards to strengthen the oversight, control, and risk management of the entire banking and finance industry.

The Basel Committee on Banking Supervision members approved it in 2010 and 2011, and it was supposed to go into effect between 2013 and 2015. However, modifications made starting in April 2013 prolonged application until March 31, 2018.

By boosting bank liquidity and lowering bank leverage, Basel III aimed to strengthen bank capital requirements.

Financial institutions must hold more capital and higher-quality capital than is currently required by Basel II regulations, as well as new capital buffers.

With the introduction of the new leverage ratio, a no risk-based measure is added to the risk-based minimum capital requirements. In the event of further serious banking crises, the new liquidity ratios guarantee that sufficient funding is maintained.

3.3.1. Capital Requirement

By implementing the following measures, the Basel III rule strengthened the capital requirement and increased capital buffers.

- The Capital Conservation Buffer has the capacity to absorb losses during challenging financial and economic times. Financial institutions will be required to have a total of 7% in common equity, which is made up of a 4% common equity requirement and a 2% capital conservation buffer, in order to withstand future periods of stress.
- To pay for the capital conservation buffer, only common equity may be used. Financial institutions without a capital conservation buffer are restricted in their ability to pay out dividends, buyback shares, and bonuses.
- Depending on local conditions, a countercyclical capital buffer of 0 to 2 points 5 percent of common equity or other fully loss-absorbing capital is implemented. This buffer expands the capital conservation buffer.

An increase in Common Equity Tier 1 (CET1) from 2 percent to 4.5 percent. It is decided to be:

- From January 1, 2013, by 30.5 percent.

- 1 January 2014 to the present: 4%
 - 40.5 % as of January 1, 2015.
- The minimum Total Capital Ratio is still 8%. The total amount of capital a financial institution must hold to meet regulatory requirements is increased to 10 percent of risk-weighted assets with the capital conservation buffer added, of which 8 percent must be tier 1 capital. Tier 3 capital is abolished, and Tier 2 capital instruments are harmonized.

3.3.2. *Leverage ratio*

Basel III established the required leverage ratios. ". Basel III required banks to maintain leverage ratios above 3%, which were calculated by dividing their Tier 1 capital by their average total consolidated assets. According to the US Federal Reserve Bank, the minimum Basel III leverage ratio would be 6% for eight SIFI banks and 5% for their bank holding companies as of July 2013.

- Requirements for liquidity.

Two necessary liquidity ratios were enacted by Basel III:

- In a situation of extreme stress, the liquidity coverage ratio (LCR) makes sure that there are enough high-quality liquid assets available to last for one month.
- The Net Stable Funding Ratio (NSFR) promotes resilience over long-term time horizons by providing financial institutions with more incentives to fund their operations with more stable sources of funding on an ongoing structural basis.

4. BASEL ACCORDS TO END THE CRISIS

The UK has adopted the Basel III regulations faster due to its reliance on the financial industry.

While the capital and liquidity positions of British banks have significantly improved over the last years, the Financial Services Authority has urged banks to meet the higher standards now rather than waiting for Basel III to be implemented. Recent Independent Banking Commission recommendations suggest that although regulatory changes won't be as significant as the market had feared, they will still be implemented with higher-than-Basel standards.

For example, the commission suggests capitalizing retail and investment banking separately within a parent company and requiring the retail bank to maintain 10% common equity, which is 3% more than required by Basel III regulations.

The 84% of the Royal Bank of Scotland (RBS) is owned by the British government. Regardless of the price it receives for them, the bank is required to sell a number of businesses as part of its plan; however, this should release some capital and enhance its liquidity position.

To comply with Basel III regulations by 2013, RBS' plans call for a core Tier 1 ratio of more than 8%. In December 31, its Basel II core Tier 1 rate was 10.7 percent.

The company is on track to meet its goals, but despite this, we don't believe it is out of the woods just yet. Noncore losses will likely continue to have a significant negative impact on the company's profits that can be attributed to shareholders.

The second British bank we cover that depends on government assistance is Lloyds Banking Group (LLOY).

With its ill-advised purchase of HBOS in 2008, Lloyds almost destroyed itself.

The UK government eventually acquired 43.5 percent of the combined Lloyds-HBOS entity through a government-sponsored capital raise in 2008. A plan that Lloyds announced in November 2009 would enable it to exit the pricey Asset Protection Scheme that the UK is currently attempting to implement. In my opinion, Lloyds' capital position was strong as, on 31/12/2009, the firm's core Tier 1 capital ratio was 10.2%.

At the end of 2010, Barclays' (BARC) core Tier 1 ratio stood at an advantageous 10.8%. The bank's management continues to have faith in the institution's capacity to handle the new regulatory requirements, especially given that it anticipates achieving its 13 percent ROE target.

After a surprise equity raise in the latter part of 2010, Standard Chartered (STAN) ended 2010 with core Tier 1 and Tier 1 capital ratios of 11 point 8 and 14 percent, respectively (compared to 8 point 9 and 11 point 5 in 2009). We believe that the bank will have little trouble adhering to new regulatory standards given its current capital base and its robust internal equity generation capacity.

Core Tier 1 capital for HSBC (HSBA) is currently at 10.5%.

Basel III regulations, according to the company's estimate, would lower its core Tier 1 by 250–300 basis points, bringing it to 7–15 percent at the low end—already in compliance

with the 2019 requirements. As a systemically important entity, HSBC would likely be subject to any additional oversight and capital requirements.

According to management's projections, the new regulations would require the common equity Tier 1 capital for the bank to range between 9 and 10 percent, necessitating an eight-year expansion of the current capital base.

5. LLOYDS BANK WITH BASEL

The fourth-largest bank in Britain, Lloyds Bank PLC, is one of the Big Four British clearing banks. Lloyds provides a wide range of international banking and financial services through the bank, its subsidiary, and related companies. It has nearly 2,700 branches spread across the United Kingdom, and it operates about 500 offices across 47 nations, including the United States, Canada, Japan, Australia, Brazil, and Egypt, to conduct its international business. Long regarded as a traditional banking institution, Lloyds has become more progressive since the early 1970s, frequently setting the pace among the Big Four clearing banks in the introduction of new financial services and products as well as the expansion of their global reach.

5.1. Basel II for Lloyds bank

The Capital Requirements Directive, which is covered below under "European Union Impact for UK Financial Services Regulation," has brought Basel II into effect across the EU. Following a consultation process that lasted through 2006, this became effective for all European banks on January 1, 2007.

However, due to transitional provisions, Lloyds Banking Group was exempt from full compliance requirements until 1 January 2008.

Beginning on January 1, 2008, the legacy Lloyds TSB Group adopted the Foundation Internal Ratings Based approach for credit risk for its non-retail exposures and the Advanced (Retail) Internal Ratings Based approach for its retail exposures. For both its non-retail and retail exposures, the heritage HBOS Group chose the Advanced Internal Ratings Based approach.

The Advanced Measurement Approach for Operational Risk was adopted on January 1st, 2008 by the heritage Lloyds TSB Group and the heritage HBOS Group.

6. FINANCIAL ANALYSIS LLOYDS 2008 – 2021

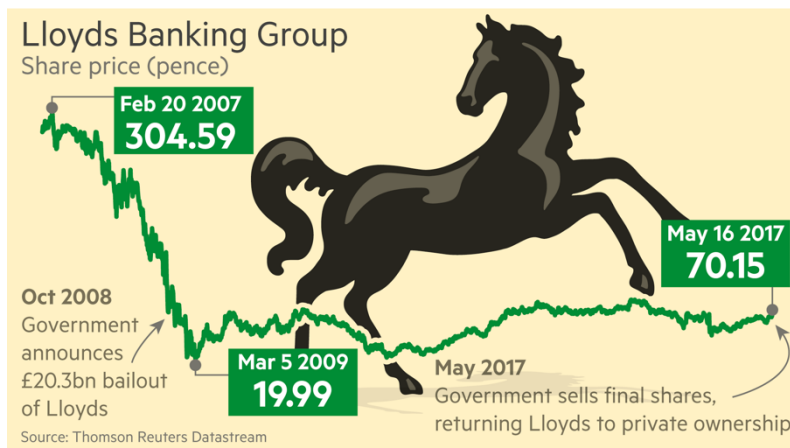


Figure 4 - Financial times, 2018

The purpose of this study is to examine how Lloyds Bank's performance has evolved between 2009 and 2021. Profitability will be used to measure Lloyds' success, which is quantified in this report using three ratios: ROE (return on equity), Roce and Operating

Profit margin. This ratio is important because it measures Lloyd's ability to generate income, as well as the efficiency and effectiveness of the bank in using existing capital and resources to achieve financial returns.

I will focus on the liquidity and Leverage with different ratios and calculations.

The Income statement and balance sheet will be used to calculate profitability, liquidity and leverage ratios.

(Please note that is made with £ millions of pounds).

Data from Fitch Connect and Lloyds Bank annual reports were used to create these analyses.

6.1. INCOME STATEMENT

The income statement focuses on a company's earnings for a specific time period, including profits and losses. The income statement, which is also referred to as a profit and loss (P&L) or income and expense statement, offers crucial information about a company's operations, management effectiveness, underperforming industries, and performance in comparison to peers in the same industry.

To analyze Lloyd's, I have created an excel table with the income statements number as the below.

INCOME STATEMENT (MILION)	2008	2021
Interest and similar income	17,569	20363
Interest and similar expense	-9,851	-4,600
net interest income	7,718	15,763
Fee and commission income	3,231	-1,350
Fee and commission expense	-694	-1,280
Net fee and commission income	2,537	-2,856
Net trading income	-9,186	-895
Insurance premium income	5,412	-948
Other operating income	532	-
other income	-705	-301
Total income	7,013	8,133
Insurance claims	2,859	6,902
Total income, net of insurance claims	9,872	15,035
Operating expenses	-6,053	-956
Trading surplus	3,819	14,079
Impairment	-3,012	-4,657
Profit on sale of businesses	-	-2520
profit before tax	807	6,902
Taxation	38	-1,017
profit for the year	845	5,885

Figure 5 - Income statement Lloyds - Self created

6.2.BALANCE SHEET

A balance sheet is a type of financial statement that shows a company's assets, liabilities, and shareholders' equity in a single glance. For fundamental analysis or calculating financial ratios, the balance sheet can be used in conjunction with other significant financial statements.

The final results between 2008 and 2021 for Lloyd's Bank, broken down into Assets, Liability, and Equity, are shown below.

Assets	2008	2021
Cash and balances at central banks	5,008	76,420
Items in the course of collection from banks	946	2,600
Derivative financial instruments	45,064	42,051
Trading and other financial assets at fair value through profit or loss	28,884	57,976
Loans and advances to banks	40,758	70,290
Loans and advances to customers	242,735	306,771
Available-for-sale financial assets	55,707	120,456
Investment property	2,631	12,565
Goodwill	2,256	28,390
Value of in-force business	1,893	75,900
Other intangible assets	197	1,790
Tangible fixed assets	2,965	23,500
Current tax recoverable	300	28,137
Deferred tax assets	833	3,689
Other assets	5,856	35,990
Total assets	436,003	886,525
Equity and liabilities	2008	2021
Liabilities		
Deposits from banks	66,514	7,647
Customer accounts	170,938	476,344
Items in course of transmission to banks	508	-
Trading and other liabilities at fair value through profit or loss	6,754	23,123
Derivative financial instruments	26,892	18,060
Debt securities in issue	75,710	71,552
Liabilities arising from insurance contracts and participating investmen	33,792	168,463
Liabilities arising from non-participating investment contracts	14,243	-
Unallocated surplus within insurance businesses	270	-
Other liabilities	11,456	55,076
Retirement benefit obligations	1,771	
Current tax liabilities	-	-
Deferred tax liabilities	-	-
Other provisions	230	
Subordinated liabilities	17,256	13,108
Total liabilities	426,334	833,373
Equity		
Share capital	1,513	3,876
Share premium account	2,096	12,700
Other reserves	-2,476	9,890
Retained profits	8,260	4,569
shareholders' equity	9,393	20,355
Minority interests	306	1,762
Total equity	9,699	53,152
Total equity and liabilities	436,033	886,525

Figure 6 - Balance sheet - self created

6.3. PROFITABILITY

The ability of a company to turn a profit over time in relation to revenue, operating costs, balance sheet assets, or equity is measured using data from a specific point in time using a class of financial ratios called profitability ratios.

I have analyzed the profitability calculating:

- Operating profit margin= operation income / sales revenue
is a suitability ratio that illustrates how much profit a company makes after paying for variable costs, such as wages and natural resource costs, to some extent.
This percentage demonstrates a company's control over the costs and expenses that direct its operations (Bensoussan and others 2012).
- Return on equity= Net income/Average shareholder equity
is an illustration of a fiscal act that highlights the benefit of wage return as a component of impartiality.
By virtue of how effectively it manages the use of working capital, ROE essentially demonstrates this.

RATIOS	2008	2021
Operating profit margin	8.30%	18.43%
ROE	15.9%	10.5%

After the calculations, we are able to notice that the Operating profit margin on 2008 was very low and this should be higher than 15%. This can explain that on 2008 the production costs were more than the revenue.

The ROE was much better on 2008 than 2021 and this was caused by the uses of its shareholder's equity to generate income.

6.4. LIQUIDITY

This study's goal is to evaluate Lloyd's liquidity position and compare it to other performers in the sector.

According to Vasigh and others (2010), liquidity percentages aim to assess a company's ability to meet its short-term obligations with ease.

- Current asset divided by Current liability is the current ratio.

is a liquidity ratio that assesses a company's capacity to pay obligations within a year or right away.

Investors and analysts can better understand how a company can use its current assets to pay for its other liabilities and current liabilities by understanding how to make the most of those assets.

It is generally accepted that current rates that are at or slightly above the industry average are acceptable and may signal a higher risk of distress or default.

- RATIOS	2008	2021
Current ratio	1.03%	1.07%

For a company is extremely important to have this ration above than 1.0 and Lloyds also during the crisis has reached it.

6.5. LEVERAGE

Assessing Lloyd's financial stability and benchmarking it against other industry participants was the third goal of this survey. The solvency ratio was utilized in order to accomplish this goal.

The results of the evaluation are as follows.

- Debit to equity ratio = total debt/ total equity

This ratio is used to calculate the weight of debt and financial liabilities relative to equity. This should be between 1 and 2 and how we are able to see on 2008 the ratio was extremely high. A reason for this enormous ratio could be the acquisition of HOBS.

- Debit capital ratio = total debt/ (total debt + total equity)

This ratio shows id the company is able to meet its financial obligations. The normal value should be between 1 and 2. On 2008, Lloyds bank was with a debt ratio of 6.4% and this was considered as high risk.

RATIOS	2008	2021
Debit to equity ratio	7.23%	1.96%
Debit capital ratio	6.4%	1.79%

7. CONCLUSION

The most significant financial effects on the world. came from the 2007–2008 economic crisis. Mortgage defaults and incorrect CDS pricing were just two of the many causes. Given that the crisis put the nation's financial system in jeopardy, it is necessary to reflect on what we learnt from this.

Many factors contributed to an excessive level of comfort, including high levels of debt, borrowers' uncertainty about their ability to repay debt, and the conviction that housing prices would always rise.

Spreading the risk outside of the protected banking system or using "insurance" methods like credit default swaps did not result in risk diversification. An understanding of risk is necessary for every aspect of the financial system.

One strategy for achieving this is the Dodd-Frank Act. Short-term choices should be carefully thought out since they may have long-term effects.

At the end, the financial analysis has helped to understand the enormous difference between the 2008 and 2021 assets.

8. REFERENCES

- Britannica. “Financial crisis of 2007 – 2008” -
<https://www.britannica.com/event/financial-crisis-of-2007-2008> -
used on 12/11/2022
- U.S Department of the Treasury. “Troubled Assets Relief program
(TARP) - <https://home.treasury.gov/data/troubled-assets-relief-program> -
Used on 20/11/2022
- Bank for international Settlements. “Risk-Based Capital Requirements” -
https://www.bis.org/basel_framework/chapter/RBC/20.htm?inforce=20191215 – Used on 30/11/2022
- Goodhart, C (2011): The Basel Committee on Banking Supervision: A
history of the early years 1974-1997, Cambridge University Press – used
on 20/11/2022
- Lloyds, annual report (2008) – used on 20/11/2022
- Lloyds, annual report (2021) – used on 30/11/2022
- Bloomberg (2011c). “Lloyd’s banking group PLC-
<http://www.bloomberg.com/apps/quote?ticker=LLOY:LN> – used on
25/11/2022

- Gilbert, R. A., & C.Wheelock, D. (2007). Measuring Commercial Bank Profitability: Proceed with Caution. Federal Reserve Bank of St. Louis Review. – used on 02/12/2022
- Bank for International Settlements. (2011). Resolution policies and frameworks – progress so far. Basel: Basel Committee on Banking Supervision. – used on 13/12/2022
- Arnold, M. (25-02-2016). Crisis-era Lloyds chairman defends HBOS deal. Retrived in 17-09-2016 - <https://www.ft.com/content/9a7322a2-db56-11e5-98fd-06d75973fe09> - used on 12/12/2022