

Black Horse Limited
Annual Report and Accounts
2025
Registered number: 00661204

Member of Lloyds Banking Group

Strategic Report

For the year ended 31 December 2025

The Directors present their Strategic Report and audited financial statements for Black Horse Limited ("the Company") for the year ended 31 December 2025.

Principal activities

The Company provides a comprehensive range of instalment credit products, including hire purchase, personal contract purchase ("PCP") agreements and leasing products. In addition, the Company provides loan funding to commercial organisations connected with the motor trade.

The Company forms part of Lloyds Banking Group (the "Group").

The Company is funded entirely by other entities within the Group.

Business overview

The Company's result for the year shows a loss before tax of £417,866,000 (2024: loss before tax £512,281,000). During the year a further provision of £500,000,000 (2024: £616,000,000) was recognised for the potential impact of the Financial Conduct Authority ("FCA") review into historical motor finance commission arrangements and sales (see below and note 22 for more details) which is driving the loss before tax.

The Company has net assets of £229,117,000 (2024: net liabilities £239,115,000) as at 31 December 2025, following the recognition of a further expense of £500,000,000 to increase the provision relating to historical motor finance commission arrangements and sales. On 31 January 2025 the Board approved a capital injection of £420,000,000 which was completed on 3 February 2025. A further capital injection of £363,000,000 was completed on 12 October 2025. In total, the Company allotted 3,132,000,000 new ordinary shares (2024: 4) of £0.25 each to its immediate parent company Black Horse Group Limited in exchange for £783,000,000 of cash received during the year. This recapitalisation restored the Company to a positive net asset position and ensured the business remained appropriately capitalised following the additional provision.

Net interest income increased to £408,747,000 (2024: £338,648,000), driven by stronger margins as the shift to term funding continues to bed in. As more lending is supported by term funding aligned to the customer lending rate, margins have improved compared with the earlier stages of the transition, when margins were initially lower.

The Company experienced an increase in Loans and advances to customers of £240,151,000 (2024: £311,872,000) during the year. This was driven by higher customer lending, supported by a corresponding increase in funding provided by the Group.

The Company has made a Credit impairment loss of £53,348,000 (2024: £75,579,000) and a Market impairment loss of £145,237,000 (2024: £24,213,000) during the year. Credit impairment losses have fallen due to reduced defaults in the year. Market impairment losses have increased on the prior year driven by higher Residual Value ("RV") and Voluntary Termination ("VT") charges and an increase in provision reflecting expectations of higher VT rates, based on trends observed during 2025.

Future outlook

The Company has observed an increase of c3.5% in 2025 from new car registrations, marking it as the strongest year for registrations in 5 years. 2026 is expected to see continued growth as we see new entrants into the market for supplying Battery Electric Vehicles ("BEV") and manufacturers continue to work towards the requirements of the Zero Emission Vehicle ("ZEV") mandate. Light Commercial Vehicles ("LCV") registrations showed a 10% decline vs 2024, as the sector continues to experience lower demand.

We have continued to see downward pressure on Battery Electric Vehicles ("BEV") used car prices during 2025. The rising supply especially from new entrants to the market has resulted in high competition and manufacturer discounts for new vehicles which impacts the second hand vehicle market. There has been more stability with regard to non-BEV, with a slight fall towards the end of the year but aligned to seasonal expectations. This was supported by reduced supply of used cars returning to the market, reflecting fewer registrations during the COVID-19 period. Used LCV prices have remained strong, with limited supply contributing to modest price increases throughout the year. Some volatility is expected as the industry transitions to electric vehicles, and management will continue to monitor this closely.

In addition, the Company is continuing to engage with the FCA and Financial Ombudsman Service ("FOS") on the historical motor commission arrangements as mentioned in the following section.

Any adverse changes affecting the UK economy may have direct and indirect credit and operational exposures. Any deterioration in global macroeconomic conditions, including geopolitical events, global health issues, or acts of war or terrorism, or significant cyber attacks (such as the recent incident affecting Jaguar Land Rover) could also have an adverse effect on the Company's results.

Motor Commission Review

The Company recognised a further £500,000,000 expense for the potential cost of redress following the FCA's announcement in October 2025 that it intends to implement a motor finance commission redress scheme. As at 31 December 2025, the total expense recognised is £1,440,000,000 (2024: £940,000,000).

The Supreme Court judgment in *Johnson v FirstRand Bank Limited* in August 2025 found that there was an unfair relationship under s.140A of the Consumer Credit Act (CCA). Following the Supreme Court judgment, the FCA published Consultation Paper CP25/27 in October 2025 setting out detailed proposals for a scheme (including their proposed basis) to redress unfair customer relationships.

The increased provision reflects the increased likelihood of a higher number of scheme cases (i.e. discretionary commission arrangements, commercial tie or high commission arrangements) being eligible for redress, including those dating back to 2007 and also the likelihood of a higher level of redress than anticipated in the previous scenario-based provision; the FCA's proposed redress calculation approach is less closely linked to customer loss than previously anticipated.

The Group has made representations to the FCA on a number of aspects of the proposed scheme.

On 3 December 2025, the FCA announced that the pause on motor finance complaints handling would be lifted on 31 May 2026 for complaints made in relation to the subject matter of the scheme, and that this timeline may be superseded in due course by the operational timetable to be set out in the final scheme rules. The FCA also lifted the pause on handling motor finance complaints in respect of leasing products on 5 December 2025. The Company continues to receive new complaints as well as claims in the County Courts in respect of motor finance commissions. A large number of those claims have been stayed, as has a claim in the Competition Appeal Tribunal. In April 2026, the Court of Appeal is expected to consider whether, in the context of motor finance claims, it is possible for multiple unfair relationship claims to be dealt with via one omnibus claim form.

In establishing the provision estimate, the Company has considered the potential impact of the FCA's proposed redress scheme, as well as a number of possible modifications to the scheme which might arise as a result of the consultation. The Company will continue to assess developments and potential impacts following the announcement by the FCA of the final scheme rules, which are expected by the end of March 2026. The ultimate financial impact will be determined by a number of factors still to be resolved, in particular the final scheme rules, customer response rates, scheme operating costs, any further interventions and any broader implications of legal proceedings and complaints. Given the significant level of uncertainty in terms of the final outcome, the ultimate financial impact could materially differ from the amount provided. The total £1,440,000,000 expense represents the Company's current best estimate of the potential impact of the motor finance issue.

Economic environment

The UK economy proved resilient to global challenges in 2025. Although inflation and pay growth resulted in slower interest rate cuts than in the US and Eurozone, real-wages grew and households' spending growth rose. Lower inflation in 2026 is expected to allow further interest rate cuts to support the economy while the government continues to address its deficit. Low private sector indebtedness and high household savings provide resilience and capacity for improving growth.

In a world of heightened economic uncertainty, our purpose of Helping Britain Prosper is ever more important, the Group continues to provide support to those most affected by changes to the economic environment. Our Group strategy and business model position us well in both constructive and more challenging economies.

Principal risks and uncertainties

The most important risks faced by the Company and the Group are detailed below. External risks may impact the success of delivering against the Group's long-term strategic objectives. They include, but are not limited to, macroeconomic and geopolitical uncertainties and inflation trends which could contribute to the cost of living and associated implications for consumers and businesses.

Risk management is essential to our business model and strategy, helping us to embrace opportunities responsibly and drive sustainable growth for the Group. Our strong risk management culture, underpinned by our enhanced risk management framework (RMF), is vital in safeguarding the Group, colleagues and customers against both existing and emerging risks.

Operational resilience remains crucial, enabling the Group to prevent, withstand and respond to cybersecurity threats and IT outages, using intelligence and learnings from recent global events.

The Group continues to modernise its technology and strengthen capabilities and ensure the safe, responsible use of models and tools such as artificial intelligence.

During 2025, the Group has continued to make progress in its risk transformation journey, allowing us to further evolve our risk management approach to deliver good outcomes for our customers. This has included the consistent implementation of the RMF requirements for all of the Group's legal entities, business units and functions.

The RMF ensures processes and controls are in place to facilitate robust risk management and effective decision making.

The Group's risk policies are supported by risk toolkits, which set out clear guidance and minimum standards for proactive identification and effective risk management, fostering a strong risk management culture across the Group.

The Group has 10 principal risks, these consist of capital risk, climate risk, compliance risk, conduct risk, credit risk, economic crime risk, liquidity risk, market risk, model risk and operational risk. These risks are reviewed and reported on regularly to the Board in alignment with the enhanced RMF. Further details of these risks and the risk management policy are contained in note 26 of the financial statements.

Principal risks and uncertainties (continued)

Capital risk

Capital risk is defined as the risk that an insufficient quantity or quality of capital is held to meet regulatory requirements or to support business strategy, an inefficient level of capital is held or that capital is inefficiently deployed across the Group.

Climate risk

The Group defines climate risk as the risk from the impacts of climate change and the transition to net zero ('inbound risk'), or a result of the Group's response to tackling climate change and supporting the transition to net zero ('outbound risk').

Compliance risk

The risk of financial penalties, regulatory censure, criminal or civil enforcement action or customer detriment as a result of failure to identify, assess, correctly interpret, comply with, or manage regulatory and/or legal requirements.

Conduct risk

The risk of the Group's activities, behaviours, strategy or business planning, having an adverse impact on outcomes for customers, undermining the integrity of the market or distort competition, which could lead to regulatory censure, reputational damage or financial loss.

Credit risk

Credit risk is defined as the risk that parties with whom the Group has contracted fail to meet their financial obligations (on and off-balance sheet). Further information can be found in note 26.1.

Economic crime risk

Economic crime risk is defined as the risk that the Group implements ineffective policies, systems, processes and controls to prevent, detect and respond to the risk of fraud and/or financial crime resulting in increased losses, regulatory censure, fines and/or adverse publicity in the UK or other jurisdictions in which the Group operates.

Liquidity risk

Liquidity Risk is the risk that the Group has insufficient financial resources to meet its commitments when they fall due or can only secure them at excessive cost. Further information can be found in note 26.2.

Market risk

Market risk is defined as the risk that the Group's capital or earnings profile are adversely affected by changes in market rates or prices, including, but not limited to, interest rates, foreign exchange, equity prices and credit spreads. Market risk exists in the Company through residual value volatility within finance lease agreements. The lessee has a contractual right to return the vehicle at the end of the contract term under a PCP agreement and is economically incentivised to do so where the residual value is lower than the contractual Guaranteed Future Value ("GFV"). The Company prices the GFV to reduce the likelihood of the market risk resulting in a residual value loss and provisions are made across all fuel types where residual value losses are anticipated. Further information can be found in note 26.3.

Model risk

Model risk is the potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions. Adverse consequences could lead to a deterioration in the prudential position, non-compliance with applicable laws and/or regulations, or damage to the Group's reputation. Model risk can also lead to financial loss, as well as qualitative limitations such as the imposition of restrictions on business activities.

Operational risk

Operational risk is defined as the risk of actual or potential impact to the Group (financial and/or non-financial) resulting from inadequate or failed internal processes, people, and systems or from external events.

Strategic Report (continued)

For the year ended 31 December 2025

Key performance indicators ("KPIs")

The Company's key objective is to support the Group strategic objective of Helping Britain Prosper. The level of overall lending balances across both new and used vehicle financing are seen as important measures of success. Credit risk management, aligned with helping customers ensure they have a product suitable for their needs, is fundamental to the success of the business. Impairment losses and interest income are considered to be relevant measures in relation to this. The key performance indicators considered for the Company are listed below:

KPI	2025	2024	Analysis
Net interest income (£'000)	408,747	338,648	Increase is driven by growth of Loans and advances to customers along with increased margins supported by maturing term funding costs.
Loss before tax (£'000)	(417,866)	(512,281)	Full year loss driven by £500m (2024: £618m) of additional discretionary commission provision recognised in 2025 offset by increased Net interest income.
Net interest margin	3.0%	2.7%	Margin growth is supported by lower funding cost due to reducing interest rates and higher proportion of fixed rate funding.
Net underlying loans and advances to customers (£'000)	13,069,958	12,375,101	Increase is driven by a £306m increase in stocking loans and a £461m increase in finance leases, partly offset by £72m provision increase.
Expected Credit Loss ("ECL") coverage	1.18%	1.19%	Coverage remains stable and in line with 2024.
Cost: Income ratio (excluding remediation costs)*	32.8%	39.3%	Cost: income ratio has improved due to an increase in Net Interest Income noted above and an increase in other operating income, offset by a slight increase in other operating expenses.
Asset quality metric	(1.52)%	(0.77)%	The deterioration in the asset quality ratio reflects higher impairment losses in 2025, reflecting increased RV and VT charges year-on-year.

*Cost: Income ratio is calculated as other operating expenses excluding amortisation divided by total net income, which comprises net interest income, net fee and commission income/(expense), and other operating income.

Section 172(1) statement

This section (pages 5 to 7) is our Section 172(1) statement for the purposes of the Companies Act 2006, describing how the Directors have had regard to the matters set out in section 172(1) (a) to (f) of the Act when performing their duty to promote the success of the Company under section 172.

As a wholly owned subsidiary of the Group, the Company operates within the wider Group governance framework and follows many of the related processes and practices concerning stakeholder engagement, responsible business activities and long-term decision-making.

The Directors remain mindful in all their deliberations of the long-term consequences of their decisions, as well as the importance of the Company maintaining a reputation for high standards of business conduct and the Board engaging with, and taking account of the interests of, stakeholders.

Stakeholder Engagement

The Board recognises the fundamental importance of engaging with its stakeholders, gaining a deeper understanding of their views, and the importance of this understanding in informing their discussions and decision-making. During the year, key stakeholders included customers & clients, shareholders, communities & environment, regulators and suppliers.

Our Stakeholders

Customers and clients

The Directors ensure the Company works toward achieving fair customer outcomes by focusing on customer value and by treating customers fairly. The Directors, informed by customer engagement activity across the Company, have worked to agree customer plans, regularly reviewing customer behaviour, customer pricing and repayment of customer loans, to understand areas where improvements can be made. The Directors have also considered the implications from a customer perspective from the ongoing motor commissions review, as discussed on page 3, and during the course of the year agreed certain changes to customer-related processes. Following the Court of Appeal decision in respect of Wrench, Johnson and Hopcraft ("WJH"), these changes included steps taken to enhance the customer journey to obtain informed consent to the payment of commission. Customer engagement activity has also informed how the Company supports customers in longer-term financial difficulty, with a range of debt management options including repayment plans.

Strategic Report (continued)

For the year ended 31 December 2025

Section 172(1) statement (continued)

Our Stakeholders (continued)

The Company continues to participate in transport-related business initiatives. In response to customer feedback, this includes continued investment in enhancing the customer journey and proposition for our strategic partners and dealer-introduced customers, and a longer-term project to move onto a new lending platform.

Shareholders

The Company is a wholly owned subsidiary of Lloyds Banking Group plc. The Directors ensure that the strategy, priorities, processes and practices of the Company are fully aligned where required to those of the Group, ensuring that the interests of the Group as the Company's ultimate parent company are duly acknowledged. Further information in respect of the relationship of Lloyds Banking Group plc with its shareholders is included within the Lloyds Banking Group plc Annual Report and Accounts for 2025, available on the Lloyds Banking Group website.

Communities and environment

The Company continues to support the Group's community and environment related initiatives, including Helping Britain Prosper, by considering and responding to the Group's related stakeholder engagement, and actively managing its current book of hire purchase products and other loans in a manner which responds to relevant feedback. The Company is an active participant in broader transport-related business initiatives, including supporting the transition to electric vehicles through developing and growing relationships with key strategic Electric Vehicle Original Equipment Manufacturers.

Regulators

The Company provides quarterly updates to relevant regulators including disclosures on its capital position. Regulatory relationships continue to be important, and are managed to ensure proactive engagement across key regulatory changes and areas of focus. As noted in the Strategic report and note 2 the Board has continued to engage with FOS and the FCA during 2025.

Suppliers

The Directors ensure the Company, as part of the Group, follows the Group's supplier oversight model. This model assesses supplier activity against a set of risks that this activity poses. The Company as part of the Group's Transport business works with the Group's Consumer Lending Chief Operating Office to understand and agree a supplier risk oversight routine; one which regularly reviews and shares supplier performance and considers risks and mitigations across resiliency of service provision, supplier conduct in delivering customer treatment, alongside data handling and cyber risk oversight. This oversight extends to ensuring the Company pays its suppliers in a timely manner, to help our supplier base prosper. This framework is currently focussed on those suppliers considered to present the highest risk, and the work to understand and mitigate the risk profile of the current supplier base is continual.

Key Decisions

Considering stakeholder interests is key to decision-making by the Board. To better understand their interests, the Board receives feedback from stakeholders through engagement both inside and outside of the Board room. Senior management supports Board decision-making by addressing stakeholder implications in proposals submitted to the Board for consideration and providing the Board with details of stakeholder interactions.

An example of a Board decision outlined below illustrates this in practice.

Empowering customers through technology and innovation
Customers & Clients, Communities & Environment, Shareholders and Suppliers

Board considerations:

In 2025, the Board considered initiatives aimed at accelerating and broadening the Company's digital transformation and deepening customer relationships as well as simplifying customer interactions. The Board received regular updates on progress with these initiatives, across a number of aspects of the Company's operations, providing input and guidance in their implementation, in particular drawing out the considerations and benefits for the Company's various stakeholders.

Future focus:

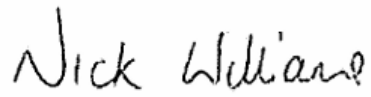
The Board is committed to supporting developments that deliver market-leading digital experiences and deliver improved customer experiences.

Strategic Report (continued)
For the year ended 31 December 2025

General

The Directors do not consider there to be any further material issues which need to be included in the Strategic Report.

Approved by the Board of Directors and signed on its behalf by:

A handwritten signature in black ink that reads "Nick Williams". The signature is written in a cursive, slightly informal style.

N A Williams
Director
3 March 2026

Directors' Report

For the year ended 31 December 2025

The Directors present their Annual Report and Accounts for the year ended 31 December 2025.

General information

The Company is a private company limited by shares, incorporated and domiciled in England and Wales (registered number: 00661204).

Registered office

The Company's registered office is 25 Gresham Street, London, EC2V 7HN.

Employees

The Company has no direct employees (2024: nil). All staff are employed by other companies within the Group and the relevant staff costs are recharged to the Company. Full details of policies relating to disabled persons, together with details of actions taken regarding the provision of information to employees, their consultation and involvement, are shown in the Lloyds Banking Group plc Annual Report and Accounts for 2025, which does not form part of this report, and is available on the Lloyds Banking Group plc website: <https://www.lloydsbankinggroup.com/investors/financial-downloads.html>

Dividends

No dividends were paid or proposed during the year (2024: £nil).

Events after the reporting date

There are no post Balance sheet events requiring disclosure in these financial statements.

Going concern

The Company has retained losses of £553,883,000 as at 31 December 2025 following the recognition of a further charge of £500,000,000 for the potential impact of the FCA review into historical motor finance commission arrangements and sales. On 31 January 2025 the Board approved a capital injection of £420,000,000 which was completed on 3 February 2025. A further capital injection of £363,000,000 was completed on 12 October 2025.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the accounts. As set out in the Strategic report, the Company has uncertainty in relation to the outcomes of the FCA review into historical motor finance commission arrangements and sales. The FCA published Consultation Paper CP25/27 in October 2025 setting out detailed proposals for a scheme to redress unfair customer relationships, including a more generous redress methodology than anticipated in the previous scenario-based provision. The Group has made representations to the FCA on several aspects of the proposed scheme, including that the proposed redress methodology does not reflect the loss to the customer.

The Company will assess developments and potential impacts on the provision following the announcement of the final scheme rules, which are expected by the end of March 2026. The current provision represents the Company's best estimate at this time.

In order to satisfy themselves that the Company has adequate resources to continue to operate for the foreseeable future, the Directors have considered a number of key dependencies which are set out in the financial risk management note (note 26) as well as the courses of action available to the Company in the event of adverse outcomes from the FCA redress scheme, which may include further capital injections from its parent. Having consulted on these, the Directors conclude that it is appropriate to continue to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in note 1.1 to the financial statements.

Streamlined Energy and Carbon Reporting

The Company has taken an exemption from Streamlined Energy and Carbon Reporting ("SECR"), in its own Directors' report as it is included within the Group SECR report given in the Lloyds Banking Group plc 2025 Annual Report and Accounts, available on the Lloyds Banking Group plc website.

Directors

The current Directors of the Company are shown below.

A B Ambani
G D Gould *
D Mackechnie (Chair)
J P McCaffrey
P M P Rogers
N A Williams

*Non executive director

Directors' Report (continued)

For the year ended 31 December 2025

Directors (continued)

The following changes have also taken place between the beginning of the reporting period and the approval of the Annual Report and Accounts.

P M P Rogers (appointed 15 January 2025)
D Mackechnie (Chair) (appointed 1 April 2025)

Company Secretary

The Company Secretary is R Beattie.

Information included in the Strategic report

The disclosures for future outlook, principal risks and uncertainties, and key performance indicators that would otherwise be required to be disclosed in the Directors' report can be found in the Strategic Report on pages 2 to 7.

Statement of engagement with employees and other stakeholders

A statement of engagement with our stakeholders is included in the Strategic report on pages 2 to 7.

Corporate Governance Statement

In accordance with the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018) (the "Regulations"), for the year ended 31 December 2025, the Company has in its corporate governance arrangements applied the Wates Corporate Governance Principles for Large Private Companies (the "Principles"), which are available at www.frc.org.uk. The following section explains the Company's approach to corporate governance, and its application of the Principles.

Principle One – Purpose and Leadership

The Board is collectively responsible for the long-term success of the Company. It achieves this by agreeing the Company's strategy, within the wider strategy of the Group, and overseeing delivery against it. The Company's strategy is discussed further in the Strategic Report on pages 2 to 7. The Board also assumes responsibility for the management of the culture, values and wider standards of the Company, within the equivalent standards set by the Group. The Board's understanding of stakeholders' interests is central to these responsibilities and informs key aspects of Board decision making, as discussed within the statement on pages 5 to 7.

Acknowledging the needs of all stakeholders is fundamental to the way the Company operates, as is maintaining the highest standards of business conduct, which is a vital part of the corporate culture. The Company's approach is further influenced by our ambition to provide not only outstanding service to our customers, but also responding to the UK's social and economic issues. To this end, the Board plays a lead role in establishing, promoting, and monitoring the Company's corporate culture and values. The Company's corporate culture and values align to those of Lloyds Banking Group, which are discussed in more detail within the Strategic and Directors' Reports of the Lloyds Banking Group plc Annual Report and Accounts for 2025.

Principle Two – Board Composition

The Company is led by a Board comprising a Chairman, Non-Executive Directors and Executive Directors, further details of the Directors can be found on page 8 and 9. The Board reviews its size and composition regularly and is committed to ensuring it has the right balance of skills and experience. The Board considers its current size and composition is appropriate to the Company's circumstances. New appointments are made on merit, taking account of the specific skills and experience, independence and knowledge needed to ensure a rounded board and the diversity benefits each candidate can bring overall.

The Board undertakes an annual review of its effectiveness, which provides an opportunity to consider ways of identifying greater efficiencies, ways to maximise strengths and highlights areas of further development.

Principle Three – Director Responsibilities

The Directors assume ultimate responsibility for all matters, and along with senior management are committed to maintaining a robust control framework as the foundation for the delivery of good governance, including the effective management of delegation through the Group Corporate Governance Framework. Policies are also in place in relation to potential conflicts of interest which may arise.

The Chair of the Board assumes responsibility with support from the Company Secretary for the provision to each meeting of accurate and timely information.

Directors' Report (continued)

For the year ended 31 December 2025

Corporate Governance Statement (continued)

Principle Four – Opportunity and Risk

The Board oversees the development and implementation of the Company's strategy, within the context of the Group. The Board is also responsible for the long term sustainable success of the Company, generating value for its shareholder and ensuring a positive contribution to society. The Board agrees the Company's culture, purpose, values and strategy, within that of the Group, and agrees the related standards of the Company, again within the relevant standards of the Group.

Strong risk management is central to the strategy of the Company, which along with a robust risk control framework acts as the foundation for the delivery of effective management of risk. The Board ensures the Company manages risk effectively. Board level engagement coupled with the direct involvement of senior management in risk issues ensures that escalated issues are promptly addressed, and remediation plans are initiated where required. The Company's risk appetite, principles, policies, procedures, controls and reporting are managed in conjunction with those of the Group, and as such are regularly reviewed to ensure they remain fully in line with regulations, law, corporate governance and industry best practice. The Company's principal risks are discussed further on pages 3 to 4.

Principle Five – Remuneration

The Remuneration Committee of the Group Board, assumes responsibility for the Company's approach to remuneration. This includes reviewing and making recommendations on remuneration policy as relevant to the Company. The activities of the Remuneration Committees extend to matters of remuneration relevant to subsidiaries of the Company, where such subsidiary does not have its own remuneration committee.

Principle Six – Stakeholders

The Company as part of the Group operates under the Group's wider approach to responsible business, which acknowledges that the Company has a responsibility to help address the economic, social and environmental challenges which the UK faces, and as part of this understand the needs of the Company's external stakeholders, including in the development and implementation of strategy. During the year the Directors took decisions with the Company's purpose and specific stakeholder interest in mind, which is discussed further on pages 5 to 7. In 2025 the Group board's Responsible Business Committee provided further oversight and support of the Group's and the Company's plans for embedding responsible business in the Company's core purpose. The approach of the Board in respect of its key stakeholders is described further in a separate statement made in compliance with the Regulations on pages 5 to 7.

Directors' indemnities

Lloyds Banking Group plc has granted to the Directors of the Company a deed of indemnity which constitutes 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of the Directors who joined the board of the Company during the financial year. Directors no longer in office but who served on the board of the Company at any time in the financial year had the benefit of this deed of indemnity during that period of service.

The deed for existing Directors is available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate directors and officers liability insurance cover which was in place throughout the financial year.

Directors' Report (continued)

For the year ended 31 December 2025

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' and Strategic Reports and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Company's financial statements in accordance with United Kingdom adopted international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements comply with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the Directors, as listed in the Directors' report, confirm to the best of their knowledge that:

- the Company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report and the Directors' report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risk and uncertainties that it faces.

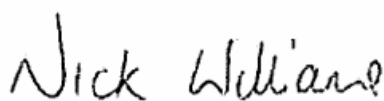
Auditor and disclosure of information to auditor

In accordance with Section 418 of the Companies Act 2006, in the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Deloitte LLP is deemed to be re-appointed as auditor under section 487(2) of the Companies Act 2006.

Approved by the Board of Directors and signed on its behalf by:



N A Williams
Director
3 March 2026

Statement of Comprehensive Income
For the year ended 31 December 2025

	Note	2025 £'000	2024 £'000
Interest income		924,855	871,197
Interest expense		(516,108)	(532,549)
Net interest income	3	408,747	338,648
Fee and commission income		498	1,669
Fee and commission expense		(1,569)	(1,601)
Net fee and commission (expense)/income	4	(1,071)	68
Other operating income	5	13,816	4,313
Provisions for liabilities and charges – charge for the year	22	(500,136)	(617,682)
Credit impairment losses	6	(53,348)	(75,579)
Market impairment losses	7	(145,237)	(24,213)
Other operating expenses	8	(140,637)	(137,836)
Loss before tax		(417,866)	(512,281)
Taxation	11	103,098	128,064
Loss for the year being total comprehensive expense		(314,768)	(384,217)

The accompanying notes are an integral part of these financial statements.

Balance Sheet
As at 31 December 2025

	Note	2025 £'000	2024 £'000
ASSETS			
Cash and cash equivalents		83,113	69,565
Amounts due from group undertakings	13	873,943	862,322
Trade and other receivables	14	198,802	122,299
Loans and advances to customers	15	13,413,678	13,173,527
Inventories	16	30,754	12,983
Investment in unlisted investments		54	54
Intangible assets	17	31,420	14,949
Current tax asset		103,798	128,795
Deferred tax asset	18	1,765	2,465
Total assets		14,737,327	14,386,959
LIABILITIES			
Borrowed funds	19	12,681,009	12,836,437
Trade and other payables	20	104,668	69,138
Other liabilities	21	343,720	798,426
Provision for liabilities and charges	22	1,378,813	922,073
Total liabilities		14,508,210	14,626,074
EQUITY			
Share capital	23	783,000	–
Retained earnings		(553,883)	(239,115)
Total equity / (deficit)		229,117	(239,115)
Total equity and liabilities		14,737,327	14,386,959

The accompanying notes are an integral part of these financial statements.

The financial statements were approved by the Board of Directors and signed on its behalf by:

Nick Williams

N A Williams
Director
3 March 2026

Statement of Changes in Equity
For the year ended 31 December 2025

	Note	Share capital	Retained earnings	Total equity
		£'000	£'000	£'000
At 1 January 2024		—	145,102	145,102
Loss for the year being total comprehensive expense		—	(384,217)	(384,217)
At 31 December 2024		—	(239,115)	(239,115)
Loss for the year being total comprehensive expense		—	(314,768)	(314,768)
Shares issued	23	783,000	—	783,000
At 31 December 2025		783,000	(553,883)	229,117

The accompanying notes are an integral part of these financial statements.

Cash Flow Statement

For the year ended 31 December 2025

	Note	2025 £'000	2024 £'000
Cash flows (used in)/generated from operating activities			
Loss before tax		(417,866)	(512,281)
Adjustments for:			
- Interest expense	3	516,108	532,549
- Amortisation of intangible assets	17	2,308	582
- Increase in Provision for liabilities and charges	22	456,740	583,230
Changes in operating assets and liabilities:			
- Net (increase)/decrease in Loans and advances to customers*	15	(694,857)	486,554
- Net increase in Inventories	16	(17,771)	(5,283)
- Net increase in Trade and other receivables	14	(76,503)	(25,754)
- Net increase/(decrease) in Trade and other payables	20	35,530	(8,808)
Cash (used in)/generated from operations		(196,311)	1,050,789
Tax received		128,795	77,270
Net cash (used in)/generated from operating activities		(67,516)	1,128,059
Cash flows used in investing activities			
Acquisition of intangible assets	17	(18,779)	(15,231)
Net cash used in investing activities		(18,779)	(15,231)
Cash flows generated from/(used in) financing activities			
Repayments from net borrowings with group undertakings		(167,049)	(623,231)
Proceeds from issue of shares	23	783,000	—
Interest paid	3	(516,108)	(532,549)
Net cash generated from/(used in) financing activities		99,843	(1,155,780)
Change in Cash and cash equivalents		13,548	(42,952)
Cash and cash equivalents at beginning of year		69,565	112,517
Cash and cash equivalents at end of year		83,113	69,565

* The recognition of the continuing involvement asset of £343,720,000 in respect of the Company's continuing involvement in a portfolio of leases following their partial derecognition (note 15.3) and the equal and opposite continuing involvement liability recognised in other liabilities (note 21) are non-cash transactions.

Cash and cash equivalents comprise only cash at bank. The Company holds no other short-term liquid investments.

The Company does not hold any cash or cash equivalent balances that are restricted or not available for use by the wider Group.

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2025

Note 1. Material accounting policies

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in both years presented, unless otherwise stated.

Note 1.1. Basis of preparation

The financial statements of the Company have been prepared in accordance with United Kingdom adopted international accounting standards and in conformity with the requirements of the Companies Act 2006.

In preparation of these financial statements the Balance sheet has been arranged in order of liquidity.

The IASB has issued an amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates, effective 1 January 2025. This amendment has not had a significant impact on the Company.

No new IFRS Accounting Standards pronouncements which have been adopted resulted in a material impact within these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2025 and which have not been applied in preparing these financial statements are given in note 30.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in pounds sterling, which is the Company's functional and presentational currency.

The financial statements have been prepared under the historical costs convention.

The Directors are satisfied that the financial statements have been prepared on a going concern basis taking into account the following:

- The Company has retained losses of £553,883,000 as at 31 December 2025 following the recognition of the additional £500,000,000 provision for the potential impact of the FCA review into historical motor finance commission arrangements and sales.
- The Company is forecast to be profitable for the period and in a net asset position following the capital injection with retained earnings forecast to increase over the period under consideration. The Company also acknowledges the risk that the motor finance commission provision could be materially different to that estimated and this might cause the entity to make further losses in future.
- The Company does not have external debt and is funded by other companies within the Group.
- The Company will continue to be able to repay its liabilities as they fall due through its liquid assets and/or its ability to drawdown on further funding as required from its intermediate parent, Lloyds Bank plc.
- That it is the intention of Lloyds Bank plc, to continue to provide adequate access to liquidity for the foreseeable future.

Note 1.2. Income recognition

Interest income and expense from financial assets and liabilities

Interest income and expense are recognised in the Statement of comprehensive income for all interest bearing financial instruments, including loans and advances, using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense to a period of account. The effective interest rate is the rate that discounts the estimated future cash payments or receipts over the expected life of the instrument to the gross carrying amount of the financial asset (before accounting for expected credit losses) or the amortised cost of the financial liability.

Once a financial asset or a group of similar financial assets has become credit impaired, interest income is recognised on the net lending balance (after deducting the allowance for expected credit losses) using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest receivable on credit sale agreements, finance lease agreements and contract purchase agreements is credited to the Statement of comprehensive income over the contractual life of each contract using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the contractual life of the financial instrument.

For loan products, the effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of a financial instrument to the net carrying amount of the financial asset or liability. The effective interest rate for leasing products is similar except that future cash payments or receipts are assessed over the contractual life of the agreement.

Notes to the financial statements (continued)

For the year ended 31 December 2025

Note 1. Material accounting policies (continued)

Note 1.2. Income recognition (continued)

Lease classification

Lease agreements are classified as finance leases if the lease agreements transfer substantially all of the risks and rewards of ownership to the lessee; all other leases are classified as operating leases. When assets are leased under a finance lease, the net present value of the lease payments plus any guaranteed residual value payments, where applicable, is recognised as a receivable within Loans and advances to customers. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance lease income. Assets leased to customers under PCP agreements which transfer substantially all the risks and rewards associated with ownership, other than legal title, are classified as finance leases.

Finance lease income

Finance lease income is recognised over the lease term using the net investment method so as to reflect a constant periodic rate of return on the Company's net investment in the lease. Initial direct incremental costs attributed to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable thus reducing the amount of income recognised over the lease term.

When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the agreement but not future credit losses. The calculation includes all amounts received or paid by the Company that are an integral part of the overall return such as acceptance and, where relevant, early settlement fees as well as direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts.

Fee and commission income and expense

Fees and commissions which are not an integral part of the effective interest rate (such as commission associated with the sale of insurance underwritten by a third party) are generally recognised in the Statement of comprehensive income on an accruals basis when the service has been provided.

Note 1.3. Financial assets and liabilities

Financial assets comprise Amounts due from Group undertakings, Loans and advances to customers, Trade and other receivables and Cash and cash equivalents. Financial liabilities comprise Amounts due to group undertakings and Trade and other payables and Other liabilities.

On initial recognition, financial assets are classified and measured at amortised cost. All financial liabilities are measured at amortised cost. The Company initially recognises financial assets and liabilities when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Company has transferred its contractual right to receive the cash flows from the assets and either: substantially all of the risks and rewards of ownership have been transferred; or the Company has neither retained nor transferred substantially all of the risks and rewards, but has transferred control. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Note 1.4. Impairment of financial assets

(i) Credit impairment losses

The impairment charge in the Statement of comprehensive income includes the change in expected credit losses ("ECL") over the year including those arising from fraud. ECL are recognised for Loans and advances to customers and other financial assets held at amortised cost, together with any loan commitments. ECL are calculated as an unbiased and probability-weighted estimate using an appropriate probability of default ("PD"), adjusted to take into account a range of possible future economic scenarios, and applying this to the estimated exposure of the Company at the point of default after taking into account the value of any repayments and including the impact of discounting using the effective interest rate.

At initial recognition, allowance (or provision in the case of some loan commitments) is made for ECL resulting from default events that are possible within the next 12 months (12-month ECL). In the event of a significant increase in credit risk ("SICR"), allowance (or provision) is made for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). Financial assets where 12-month ECL are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

Unless identified at an earlier stage, the credit risk of financial assets is deemed to have increased significantly when more than 30 days past due. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since initial recognition, the asset is transferred back to Stage 1.

Notes to the financial statements (continued)

For the year ended 31 December 2025

Note 1. Material accounting policies (continued)

Note 1.4. Impairment of financial assets (continued)

(i) Credit impairment losses (continued)

Assets are transferred to Stage 3 when they have defaulted or are otherwise considered to be credit impaired. Default is considered to have occurred when there is evidence that the customer is experiencing financial difficulty which is likely to affect significantly the ability to repay the amount due. Unless identified at an earlier stage, default is deemed to have occurred when a payment is 90 days past due. A Stage 3 asset that is no longer credit-impaired is transferred back to Stage 2 as no general probation period is applied to assets in Stage 3.

In certain circumstances, the Company will renegotiate the original terms of a customer's loan, either as part of an ongoing customer relationship or in response to adverse changes in the circumstances of the borrower. In the latter circumstances, the loan will remain classified as either Stage 2 or Stage 3 until the credit risk has improved such that it no longer represents a significant increase since origination (for a return to Stage 1), or the loan is no longer credit impaired (for a return to Stage 2). On renegotiation the gross carrying amount of the loan is recalculated as the present value of the renegotiated or modified contractual cash flows, which are discounted at the original effective interest rate. Renegotiation may also lead to the loan and associated allowance being derecognised and a new loan being recognised initially at fair value.

A loan or advance is normally written off, either partially or in full, against the related allowance when the proceeds from realising any available security have been received or there is no realistic prospect of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of credit impairment losses recorded in the Statement of comprehensive income. The write-off takes place only once an extensive set of collections processes have been completed, or the status of the account reaches a point where policy dictates that continuing concessions are no longer appropriate.

(ii) Market impairment losses

Included within Loans and advances to customers are certain hire purchase contracts referred to as PCP agreements. Under the terms of these agreements, customers have the option to either purchase the leased vehicle at the end of the lease term for a pre-agreed sum (the "pre-agreed residual value") or to return the vehicle for sale by the Company at auction. As a result the Company is exposed to market risk arising from changes in the residual value of the vehicles financed under the terms of PCP arrangements.

VTs are a right of customers of PCP and hire purchase agreements under the Consumer Credit Act 1974, section 99 to end an agreement early and return the asset. A VT may occur at any time after 50% of the total amount payable has been paid by the customer. A VT is subject to market losses.

If there is objective evidence that a market loss has been incurred, a provision is established which is calculated as the difference between the Balance sheet carrying value of the asset and the present value of estimated future cash flows discounted at that asset's original effective interest rate. If an asset has a variable interest rate, the discount rate used for measuring the impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised asset or group of assets reflects the cash flows that may result from recovery and sale of collateral, less any costs incurred. The provision calculation also considers the likelihood that a customer may voluntarily terminate based on the predicted level of loss during the period of eligibility.

(iii) Allowance for credit impairment losses

The calculation of the Company's ECL allowance under IFRS 9 requires the Company to make a number of judgements, assumptions and estimates. The most significant are set out below:

Definition of default

The PD of an exposure, both over a 12 month period and over its lifetime, is a key input to the measurement of the ECL allowance. Default has occurred when there is evidence that the customer is experiencing significant financial difficulty which is likely to affect the ability to repay amounts due. Unless identified at an earlier stage, default is deemed to have occurred when a payment is 90 days past due.

Significant increase in credit risk

The Company uses both quantitative and qualitative indicators to determine whether there has been a SICR for an asset. A deterioration in the Retail Master Scale (default model that segments customer loans into a number of rating grades, each representing a defined range of default probabilities) of two grades, is treated as a SICR. All financial assets are assumed to have suffered a SICR if they are more than 30 days past due. The setting of precise trigger points combined with risk indicators requires judgement. The use of different trigger points may have a material impact upon the size of the ECL allowance.

For non-retail a doubling of PD with a minimum increase in PD of 1 per cent since origination and a resulting change in the underlying grade is treated as a SICR.

Notes to the financial statements (continued)

For the year ended 31 December 2025

Note 1. Material accounting policies (continued)

Note 1.4. Impairment of financial assets (continued)

Application of judgement in adjustments to modelled ECL

Impairment models fall within the Company's model risk framework with model monitoring, periodic validation and back testing performed on model components, such as probability of default. Limitations in the Company's impairment models or data inputs may be identified through the ongoing assessment and validation of the output of the models, which may require appropriate judgemental adjustments to the ECL. These adjustments are determined by considering the particular attributes of exposures which have not been adequately captured by the impairment models and range from changes to model inputs and parameters (in-model adjustments), at account level, through to more qualitative post model adjustments.

Generation of Multiple Economic Scenarios ("MES")

The estimate of ECL is required to be based on an unbiased expectation of future economic scenarios. The approach used to generate the range of future economic scenarios depends on the methodology and judgements adopted. The Company's approach is to start from a defined base case scenario, used for planning purposes, and to generate alternative economic scenarios around this base case. The base case scenario is a conditional forecast underpinned by a number of conditioning assumptions that reflect the Company's best view of key future developments. If circumstances appear likely to materially deviate from the conditioning assumptions, then the base case scenario is updated.

The base case scenario is central to a range of future economic scenarios generated by simulation of an economic model, for which the same conditioning assumptions apply as in the base case scenario. These scenarios are ranked by using estimated relationships with industry-wide historical loss data. With the base case already pre-defined, three other scenarios are identified as averages of constituent scenarios located around the 15th, 75th and 95th percentiles of the distribution. The full distribution is therefore summarised by a practical number of scenarios to run through ECL models representing an upside, the base case, and a downside scenario weighted at 30 per cent each, together with a severe downside scenario weighted at 10 per cent. The scenario weights represent the distribution of economic scenarios and not subjective views on likelihood. The inclusion of a severe downside scenario with a smaller weighting ensures that the non-linearity of losses in the tail of the distribution is adequately captured.

Base Case and MES Economic Assumptions

The Company's base case economic scenario has been updated to reflect global developments and changes in domestic economic policy. The Company's updated base case scenario has the following conditioning assumptions. First, developments in global conflicts, technology or financial sector issues do not cause a significant degree of financial market volatility. Second, the US effective tariff rate is maintained at levels prevailing at the balance sheet date pending a switch to a sector-based tariff framework. Third, the UK's macroeconomic framework for monetary and fiscal policy remains in place, alongside broader continuity on other areas of government policy.

Based on these assumptions and incorporating the economic data published for the third quarter of 2025, the Company's base case scenario is for a slow expansion in gross domestic product (GDP) and a further rise in the unemployment rate alongside small gains in residential and commercial property prices. With underlying inflationary pressures expected to recede, modest further reductions in UK Bank Rate are expected to continue in 2026. Risks around this base case economic view lie in both directions and are largely captured by the generation of alternative economic scenarios.

The Company has taken into account the latest available information at the reporting date in defining its base case scenario and generating alternative economic scenarios. The scenarios include forecasts for key variables as at the fourth quarter of 2025. Actual data for this period, or restatements of past data, may have since emerged prior to publication and have not been included.

Note 1.5. Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is based on the specific identification method and excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventories include returned PCP vehicles which have been returned to the Company and subsequently become held for sale.

Note 1.6. Cash and cash equivalents

For the purposes of the Balance sheet and Cash Flow Statement, Cash and cash equivalents comprise balances with less than three months' original maturity.

Note 1.7. Taxation, including deferred income taxes

Tax expense comprises current tax and deferred tax. Current and deferred tax are charged or credited in the Statement of Comprehensive Income except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside the Statement of Comprehensive Income (either in other comprehensive income, directly in equity, or through a business combination), in which case the tax appears in the same statement as the transaction that gave rise to it.

Notes to the financial statements (continued)

For the year ended 31 December 2025

Note 1. Material accounting policies (continued)

Note 1.7. Taxation, including deferred income taxes (continued)

Current tax is the amount of corporate income taxes expected to be payable or recoverable based on the profit for the period as adjusted for items that are not taxable or not deductible, and is calculated using tax rates and laws that were enacted or substantively enacted at the Balance sheet date.

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by His Majesty's Revenue and Customs ("HMRC") or other relevant tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each Balance sheet date, and the provisions are re-measured as required to reflect current information.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Balance sheet. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the Balance sheet date, and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences but not recognised for taxable temporary differences arising on investments in subsidiaries where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognised on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, and are reviewed at each Balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. In certain cases where forecast profits are not expected to be sufficient to support the recognition of a deferred tax asset on a standalone entity basis, further consideration has been given to the availability of UK group relief with connected companies to support the recognition.

Deferred tax assets and liabilities are not recognised in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination. Deferred tax is not discounted.

The Company has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar 2 income taxes currently required by IAS12 Income Taxes.

Note 1.8. Dividends paid

Dividends on ordinary shares are recognised through equity in the period in which they are paid.

Note 1.9. Intangible assets

Expenses incurred for software product development are expensed as incurred unless the technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has an intention and ability to complete and use or sell the software and the costs can be measured reliably. Such expenses and advances paid for software development which is not yet ready for the intended use as at the Balance sheet date are recognised as Intangible assets. Once they are completed for the intended use, the intangible assets are carried at historical costs less accumulated amortisation, and are amortised over a period of 7 years using the straight line method. The amortisation charge for the year is recognised through the Statement of comprehensive income, within Other operating expenses.

Note 1.10. Provision for liabilities and charges

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated.

Note 1.11. Deemed securitisation loans

Under IFRS Accounting Standards, if a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. Where the Directors of the Company have concluded that the Company has retained substantially all the risks and rewards of the pool of loans and advances to customers, the Company continues to recognise the Loans and advances to customers on its Balance sheet.

The Company securitised Loans and advances to customers, transferring them to CARS 2024-1 plc, and retained an interest in these assets through its holding of securitised notes issued by this entity.

The Company neither transferred nor retained substantially all risk and reward on these assets and, in accordance with IFRS 9, the assets continued to be recognised to the extent of the Company's continuing involvement (represented by its interest in the notes).

Notes to the financial statements (continued)

For the year ended 31 December 2025

Note 1. Material accounting policies (continued)

Note 1.12. Continuing involvement asset and liability

Additionally, as required by IFRS 9, the Company recognised a continuing involvement liability, reported at amortised cost, for the maximum amount of cash flows that it may not receive, as well as a corresponding continuing involvement asset, reported within finance lease receivables. These balances will reduce as the securitised notes repay.

The accounting resulted in the Company recognising a grossed-up position in its Balance sheet, with an increased finance lease receivables and a separate continuing involvement liability. The net of the two figures represented a partial derecognition.

Note 2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although those estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

(i) Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Motor commission review provision

On 3 December 2025, the FCA announced that the pause on motor finance complaints handling would be lifted on 31 May 2026 for complaints made in relation to the subject matter of the scheme, and that this timeline may be superseded in due course by the operational timetable to be set out in the final scheme rules. The FCA also lifted the pause on handling motor finance complaints in respect of leasing products on 5 December 2025. The Company continues to receive new complaints as well as claims in the County Courts in respect of motor finance commissions. A large number of those claims have been stayed, as has a claim in the Competition Appeal Tribunal. In April 2026, the Court of Appeal is expected to consider whether, in the context of motor finance claims, it is possible for multiple unfair relationship claims to be dealt with via one omnibus claim form.

The Company recognised a further £500,000,000 (2024: £616,000,000) charge for redress following the FCA's announcement in October 2025 that it intends to implement a motor finance commission redress scheme. The Supreme Court judgment in *Johnson v FirstRand Bank Limited* in August 2025 found that there was an unfair relationship under s.140A of the Consumer Credit Act (CCA). Following the Supreme Court judgment, the FCA published Consultation Paper CP25/27 in October 2025 setting out detailed proposals for a scheme (including their proposed basis) to redress unfair customer relationships. The increased provision reflects the increased likelihood of a higher number of scheme cases (i.e. discretionary commission arrangements, commercial tie or high commission arrangements) being eligible for redress, including those dating back to 2007 and also the likelihood of a higher level of redress than anticipated in the previous scenario-based provision; the FCA's proposed redress calculation approach is less closely linked to customer loss than previously anticipated.

In establishing the provision estimate, the Company has considered the potential impact of the FCA's proposed redress scheme, as well as a number of possible modifications to the scheme which might arise as a result of the consultation. The Company will continue to assess developments and potential impacts following the announcement by the FCA of the final scheme rules, which are expected by the end of March 2026. The ultimate financial impact will be determined by a number of factors still to be resolved, in particular the final scheme rules, customer response rates, scheme operating costs, any further interventions and any broader implications of legal proceedings and complaints. Given the significant level of uncertainty in terms of the final outcome, the ultimate financial impact could materially differ from the amount provided. The total £1,440,000,000 expense represents the Company's current best estimate of the potential impact of the motor finance issue.

Allowance for Market impairment losses

As set out in note 26.3 the Company's leasing arrangements expose it to market risk in the form of motor vehicle residual value primarily relating to the PCP product and to customer voluntary terminations. In order to assess an impairment loss relating to these risks the Directors use assumptions to reassess the likely future value of the vehicles financed. The used car market in the UK is mature with prices dependent upon a broad range of economic and vehicle specific factors. These factors are taken into consideration by means of the data provided by market specialists, overlaid with adjustment to reflect Company specific knowledge and experience. The expected market price determined in this manner impacts upon the extent to which customers are expected to return vehicles either at the end of the contract or, in the case of VTs, during the term of the contract. In order to assess the level of expected returns associated with the assessed future value of the vehicles financed, the Company references historic experience of actual returns.

Whilst the likely future used car prices are determined based on management's best estimate, it is possible that the actual outcome will be different, therefore this is considered to be a key source of estimation uncertainty. The market risk provision included within the accounts is £234,920,000 (2024: £170,935,000) (note 7).

Notes to the financial statements (continued)
For the year ended 31 December 2025

Note 2. Critical accounting judgments and key sources of estimation uncertainty (continued)

Allowance for Market impairment losses (continued)

The relationship between used car prices and the level of provision required is non-linear, due to the impact of a customer's assessment of the options available in the context of an assessment of the outstanding finance on a vehicle compared with its market value. Accordingly, set out below is an indication of the sensitivity of the market risk provision to a number of potential changes in the average future price of used cars:

	1 percentage point		2 percentage points		5 percentage points	
	Increase £'000	Decrease £'000	Increase £'000	Decrease £'000	Increase £'000	Decrease £'000
2025	(16,067)	17,402	(30,604)	36,311	(67,661)	104,284
2024	(14,152)	15,932	(26,883)	33,453	(58,002)	97,978

ECL sensitivity to economic assumptions

The table below shows the Company's ECL for the probability-weighted, upside, base case, downside and severe downside scenarios. The stage allocation for an asset is based on the overall scenario probability-weighted probability of default and hence the staging of assets is constant across all the scenarios. Judgemental adjustments applied through changes to model inputs, or more qualitative post model adjustments, are apportioned across the scenarios in proportion to modelled ECL where this better reflects the sensitivity of these adjustments to each scenario. The probability-weighted view shows the extent to which a higher ECL allowance has been recognised to take account of multiple economic scenarios relative to the base case.

	Probability-weighted	Upside	Base	Downside	Severe downside
	£'000	£'000	£'000	£'000	£'000
2025	160,251	152,955	156,748	165,455	177,037
2024	153,655	144,199	151,288	159,630	171,198

(ii) Critical accounting judgements

In the course of preparing these financial statements, no critical accounting judgements have been made in the process of applying the Company's accounting policies.

Note 3. Net interest income

	2025	2024
	£'000	£'000
Interest income		
From finance lease and hire purchase contracts	803,267	729,884
From other loans and advances	80,366	106,233
Group interest income (see note 25)	41,222	35,080
	924,855	871,197
Interest expense		
Group interest expense (see note 25)	(516,108)	(532,549)
Net interest income	408,747	338,648

Note 4. Net fee and commission (expense)/income

	2025	2024
	£'000	£'000
Fee and commission income		
Loan fees receivable	238	798
Commission receivable	260	871
	498	1,669
Fee and commission expense		
Other fees and commission payable	(1,569)	(1,601)
Net fee and commission (expense)/income	(1,071)	68

Notes to the financial statements (continued)
For the year ended 31 December 2025

Note 5. Other operating income

	2025	2024
	£'000	£'000
Management fees receivables (see note 25)	4,320	4,304
Agency fee income (see note 25)	3	9
Other operating income (see note 25)	1,212	—
Securitisation transaction income	8,281	—
	13,816	4,313

Until 31 March 2017, the Company acted as the undisclosed agent for Lloyds Bank plc and received agency fee income, at a rate equal to 7.5% of the total costs incurred in providing the agency services. The Company will continue to earn the agency fee income on the element of the loan portfolio related to the agency agreement until it has completely run off.

Securitisation transaction income of £8,281,000 has been recognised within Other operating income in the current year. This comprises a full year service fee income. No prior-year comparative is presented, as the equivalent 2024 securitisation-related items were recognised within Other operating expenses (see Note 8).

Note 6. Credit impairment (gains)/losses

	Stage 1	Stage 2	Stage 3	Total
31 December 2025	£'000	£'000	£'000	£'000
Loans and advances to customers	2,188	10,740	41,874	54,802
Undrawn loan commitments	(1,454)	—	—	(1,454)
	734	10,740	41,874	53,348
	Stage 1	Stage 2	Stage 3	Total
31 December 2024	£'000	£'000	£'000	£'000
Loans and advances to customers	(22,406)	9,266	87,932	74,792
Undrawn loan commitments	787	—	—	787
	(21,619)	9,266	87,932	75,579

Note 7. Allowance for market losses

	2025	2024
	£'000	£'000
Provision brought forward at 1 January	170,935	179,578
Utilised during the year	(81,252)	(32,856)
Charge for the year	145,237	24,213
Provision carried forward at 31 December (see note 15.1)	234,920	170,935

Note 8. Other operating expenses

	2025	2024
	£'000	£'000
Staff costs (see note 9)	43,199	44,157
Other operating expenses	95,130	90,635
Amortisation of Intangible assets (see note 17)	2,308	582
Securitisation transaction expense	—	2,462
	140,637	137,836

Other operating expenses is shown net of costs recharged to other Group companies for services provided under agency. The Company recharged Lloyds Bank plc £45,000 (2024: £121,000), United Dominions Trust Limited £8,295,000 (2024: £7,226,000) and United Dominions Leasing Limited £986,000 (2024: £850,000).

Fees payable to the Company's auditors for the audit of the financial statements of £377,000 (2024: £368,000) have been borne by a fellow Group undertaking and are recharged to the Company, no non-audit services were provided to the Company by the auditor. Accounting and administration services are provided by a fellow Group undertaking and are recharged to the Company.

Notes to the financial statements (continued)
For the year ended 31 December 2025

Note 9. Staff costs

	2025	2024
	£'000	£'000
Wages and salaries	38,303	39,308
Wages and salaries recharge	(3,003)	(2,434)
Social security costs	4,219	3,596
Social security costs recharge	(331)	(223)
Share based payments	531	525
Share based payments recharge	(42)	(33)
Pension costs – defined contribution plans	3,822	3,644
Pension costs – defined contribution plans recharge	(300)	(226)
	43,199	44,157

As referenced in note 5, some of the staff costs are subject to a recharge under the terms of the agency agreement between the Company and Lloyds Bank plc, that ran until 31 March 2017. This is expected to continue until the related loan book expires. Staff cost are recharged to, and therefore recoverable from, other group entities, including United Dominions Trust Limited.

The Company's employees are employed by Lloyds Bank Asset Finance Limited. The average monthly number of employees during the year was 905 (2024: 939). The 2024 average monthly number of employees has been restated from 731 to 939 with no impact on the staff cost expense for 2024. All staff are located in the United Kingdom and provide management, administration and sales support. All staff contracts of service are with Lloyds Bank Asset Finance Limited. However, the staff costs shown above were paid by the Company in respect of staff identified as providing services to the Company.

The Company participates in various defined benefit and defined contribution pension schemes operated by companies within the Group. The Company's ultimate parent company operates a number of group wide, equity settled, share based compensation plans and share based payment schemes. Further details in respect of the schemes can be found in the 2025 financial statements of the Company's ultimate parent undertaking, copies of which may be obtained from the Group Secretariat, Lloyds Banking Group plc, 33 Old Broad Street, London, EC2N 1HZ. The Lloyds Banking Group plc financial statements may be downloaded via <https://www.lloydsbankinggroup.com/investors/financial-downloads.html>.

Note 10. Directors' emoluments

The Directors' emoluments payable for services provided to the Company are set out below:

	2025	2024
	£'000	£'000
Aggregate emoluments	969	706
Aggregate post-employment benefits	37	21
	1,006	727

Highest paid Director

	2025	2024
	£'000	£'000
Aggregate emoluments	600	556

The amounts reported above are an allocation of a proportion of the Directors' total remuneration insofar as it relates to qualifying services for their role as a Director of the Company.

During the year, retirement benefits were accruing to four Directors (2024: four Directors) in respect of defined contribution schemes. One Directors accrued benefit under a defined benefit scheme (2024: two Directors). Four Directors received shares in Lloyds Banking Group plc under long term incentive plans during the year (2024: five Directors). One Director leased or purchased a vehicle from the Company (2024: one Director). No Directors exercised share options (2024: no Directors). Other than vehicle finance leases, the number and total amount of the outstanding loans to Directors, officers and connected persons as at 31 December 2025 was £nil (2024: £nil).

The Directors are employed by other companies within the Group and no Directors (2024: no Directors) consider that their services to the Company are incidental to their other responsibilities within the Group. In 2025, £nil compensation was received by the Directors for loss of office (2024: £nil).

Notes to the financial statements (continued)
For the year ended 31 December 2025

Note 11. Taxation

a) Analysis of (credit)/charge for the year

	2025	2024
	£'000	£'000
UK corporation tax:		
- Current tax on taxable loss for the year	(103,798)	(128,795)
Current tax credit	(103,798)	(128,795)
UK deferred tax:		
- Origination and reversal of timing differences	700	731
Deferred tax charge (see note 18)	700	731
Tax credit	(103,098)	(128,064)

Corporation tax is calculated at a rate of 25.00% (2024: 25.00%) of the taxable (loss)/profit for the year.

b) Factors affecting the tax (credit)/charge for the year

A reconciliation of the (credit)/charge that would result from applying the standard UK corporation tax rate to the (loss)/profit before tax to the actual tax (credit)/charge for the year is given below:

	2025	2024
	£'000	£'000
Loss before tax	(417,866)	(512,281)
Tax credit thereon at UK corporation tax rate of 25% (2024: 25.00%)	(104,467)	(128,070)
Factors affecting credit:		
- Disallowed and non-taxable items	1,369	6
Tax credit on loss on ordinary activities	(103,098)	(128,064)
Effective rate	24.67%	25.00%

The Company has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar 2 income taxes currently required by IAS12 Income Taxes. No provision for Pillar 2 current tax is required in respect of this period.

Note 12. Dividends

No dividends were paid or proposed during the year (2024: £nil).

Note 13. Amounts due from group undertakings

	2025	2024
	£'000	£'000
Amounts due from group undertakings (see note 25)	873,943	862,322

Deposit due from Lloyds Bank plc of £277,682,000 (2024: £277,745,000) is unsecured, repayable on demand, and interest-bearing at a variable rate based on the Sterling Overnight Interest Average ("SONIA") benchmark with an associated margin..

Other amounts of £588,766,000 (2024: £564,050,000) are unsecured, repayable on demand, and interest bearing at fixed rates in respect of funding provided by the Company to fellow subsidiaries for long term loans and advances to customers. The remainder of £7,495,000 (2024: £20,527,000) are unsecured, repayable on demand and non interest bearing.

Notes to the financial statements (continued)
For the year ended 31 December 2025

Note 14. Trade and other receivables

	2025 £'000	2024 £'000
Other debtors	139,275	70,496
Items in the course of collection	36,243	29,358
Deferred consideration – Securitisation transaction	23,284	22,445
	198,802	122,299

Deferred consideration relates to the CARS 2024-1 plc transaction for the securitisation of Loans and advances to customers by the Company in August 2024.

Note 15. Loans and advances to customers

Note 15.1. Loans and advances to customers – maturity

	2025 £'000	2024 £'000
Advances under finance lease and hire purchase contracts	12,043,297	11,582,475
Other loans and advances to customers	1,420,591	1,114,521
Gross underlying loans and advances to customers	13,463,888	12,696,996
Less: allowances for Credit losses on loans and advances	(159,010)	(150,960)
Less: allowances for Market losses on loans and advances (see note 7)	(234,920)	(170,935)
Net underlying loans and advances to customers	13,069,958	12,375,101
Continuing involvement asset ¹	343,720	798,426
Net loans and advances to customers	13,413,678	13,173,527
of which:		
Due within one year	4,802,255	4,146,988
Due after one year	8,267,703	8,228,113
Net underlying loans and advances to customers	13,069,958	12,375,101

¹ The asset represents the Company's continuing involvement in a portfolio of leases following their partial derecognition via a securitisation in quarter 3 2024 (note 15.3). An equal and opposite continuing involvement liability is recognised in Other liabilities (note 21).

Underlying Loans and advances to customers include finance lease and hire purchase receivables:

	2025 £'000	2024 £'000
Gross investment in finance lease and hire purchase contracts receivable:		
– no later than one year	3,888,488	3,494,938
– later than one year and no later than two years	3,823,105	3,849,262
– later than two years and no later than three years	2,967,125	3,340,575
– later than three years and no later than four years	2,532,229	2,058,637
– later than four years and no later than five years	347,700	267,206
– later than five years	289,674	338,297
	13,848,321	13,348,915
Unearned future finance income on finance lease and hire purchase contracts	(1,805,024)	(1,766,440)
Net investment in finance lease and hire purchase contracts	12,043,297	11,582,475

Notes to the financial statements (continued)
For the year ended 31 December 2025

Note 15. Loans and advances to customers (continued)

Note 15.1. Loans and advances to customers – maturity (continued)

The net investment in finance lease and hire purchase contracts may be analysed as follows:

	2025	2024
	£'000	£'000
- no later than one year	3,381,653	3,032,459
- later than one year and no later than two years	3,324,792	3,339,896
- later than two years and no later than three years	2,580,383	2,898,522
- later than three years and no later than four years	2,202,172	1,786,221
- later than four years and no later than five years	302,380	231,847
- later than five years	251,917	293,530
	12,043,297	11,582,475

The Company provides a range of finance lease products in connection with the financing of motor vehicles and equipment. The leases typically run for periods of between 1 and 5 years. During the loan period the customer can settle early at an amount which is in accordance with Consumer Credit Act requirements.

During the year, no contingent rentals in respect of finance leases were recognised in the Statement of comprehensive income (2024: £nil).

Further analysis of Loans and advances to customers is provided in note 26.

Note 15.2. Loans and advances to customers – movement over time

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Balance at 1 January 2025	10,273,247	2,312,483	111,266	12,696,996
Transfers to stage 1	345,192	(345,141)	(51)	—
Transfers to stage 2	(1,207,756)	1,215,384	(7,628)	—
Transfers to stage 3	(258,070)	(182,194)	440,264	—
Net increase/(decrease) in loans and advances to customers	1,495,353	(309,254)	(286,882)	899,217
Financial assets that have been written off during the year	—	—	(135,557)	(135,557)
Recoveries of prior advances written off	—	—	3,232	3,232
Gross underlying loans and advances to customers at 31 December 2025	10,647,966	2,691,278	124,644	13,463,888
Continuing Involvement Asset ¹	343,720	—	—	343,720
Gross loans and advances to customers at 31 December 2025	10,991,686	2,691,278	124,644	13,807,608
Less: allowances for Credit losses on loans and advances	(23,783)	(81,697)	(53,530)	(159,010)
Less: allowances for Market losses on loans and advances	(161,448)	(61,946)	(11,526)	(234,920)
Net loans and advances to customers at 31 December 2025	10,806,455	2,547,635	59,588	13,413,678

¹ The asset represents the Company's continuing involvement in a portfolio of leases following their partial derecognition via a securitisation in quarter 3 2024 (note 15.3). An equal and opposite continuing involvement liability is recognised in other liabilities (note 21).

Notes to the financial statements (continued)
For the year ended 31 December 2025

Note 15. Loans and advances to customers (continued)

Note 15.2. Loans and advances to customers – movement over time (continued)

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Balance at 1 January 2024	11,118,122	1,954,358	100,473	13,172,953
Transfers to stage 1	396,371	(396,327)	(44)	—
Transfers to stage 2	(1,182,740)	1,190,678	(7,938)	—
Transfers to stage 3	(162,540)	(117,578)	280,118	—
Net increase/(decrease) in loans and advances to customers	326,945	(260,549)	(175,864)	(109,468)
Financial assets that have been written off during the year	—	—	(87,768)	(87,768)
Recoveries of prior advances written off	—	—	2,289	2,289
Disposals	(222,911)	(58,099)	—	(281,010)
Gross loans and advances to customers at 31 December 2024	10,273,247	2,312,483	111,266	12,696,996
Continuing Involvement Asset ¹	798,426	—	—	798,426
Gross loans and advances to customers at 31 December 2024	11,071,673	2,312,483	111,266	13,495,422
Less: allowances for Credit losses on loans and advances	(21,595)	(70,957)	(58,408)	(150,960)
Less: allowances for Market losses on loans and advances	(132,423)	(38,512)	—	(170,935)
Net loans and advances to customers at 31 December 2024	10,917,655	2,203,014	52,858	13,173,527

Note 15.3. Securitisation transactions

CARS 2024-1 plc

On 15 August 2024, the Company securitised Loans and advances to customers with a gross value of £1,250,000,000. On this date the securitisation vehicle, CARS 2024-1 plc, issued asset backed loan notes with a par value of £1,250,000,000 with a final redemption date falling in October 2028. The Company purchased notes from the securitisation vehicle with a par value of £972,296,000. The Company neither retained, nor transferred substantially all risks and rewards of the assets transferred into this securitisation. This resulted in a partial derecognition of these loans, but also required a continuing involvement asset to be recognised under IFRS 9, resulting in a gross up within Loans and advances to customers. The total amount of Loans and advances recognised on Balance sheet at 31 December 2025, including this gross up was £698,491,000 (2024: £1,598,477,000), the movements are due to a combination of repayments from finance lease receivables and settlements of the Company's investment in the loan notes of CARS 2024-1 plc. A continuing involvement liability of £343,720,000 (2024: 798,426,000) was also recognised within Other liabilities.

Notes to the financial statements (continued)
For the year ended 31 December 2025

Note 16. Inventories

	2025	2024
	£'000	£'000
Vehicle for resale	30,754	12,983

Inventories represent vehicles held for resale, mainly comprising returned PCP vehicles. The increase in the balance during the year is driven by higher levels of voluntary terminations, resulting in a greater volume of vehicles being returned and held for sale.

Note 17. Intangible assets

	Software
	£'000
Cost	
At 1 January 2024	2,360
Additions	15,231
At 31 December 2024	17,591
Additions	18,779
Disposals	(2,360)
At 31 December 2025	34,010
Amortisation	
At 1 January 2024	2,060
Charge for the year (see note 8)	582
At 31 December 2024	2,642
Charge for the year (see note 8)	2,308
Disposals	(2,360)
At 31 December 2025	2,590
Balance sheet amount at 31 December 2025	31,420
Balance sheet amount at 31 December 2024	14,949

The Company's Intangible assets relate to software enhancement costs. The movement is related to the capitalisation of capex software (Technology Modernisation) which was initially recognised in Bank of Scotland plc and Lloyds Banking Group plc. Following a change in accounting policy during 2024, these costs are now recognised and capitalised in the Company.

Note 18. Deferred tax asset

The movement in the Deferred tax asset is as follows:

	2025	2024
	£'000	£'000
Brought forward	2,465	3,196
Charge for the year (see note 11)	(700)	(731)
	1,765	2,465

Notes to the financial statements (continued)
For the year ended 31 December 2025

Note 18. Deferred tax asset (continued)

The deferred tax charge in the Statement of comprehensive income comprises the following temporary differences:

	2025	2024
	£'000	£'000
Accelerated capital allowances	140	171
Other temporary differences	560	560
	700	731

Deferred tax asset comprises:

	2025	2024
	£'000	£'000
Accelerated capital allowances	647	788
Other temporary differences	1,118	1,677
	1,765	2,465

At the Balance sheet date, a Deferred tax asset of £1,765,000 has been recognised (2024: £2,465,000) based on the expectation that the Company will be able to benefit from group relief with connected companies.

Note 19. Borrowed funds

	2025	2024
	£'000	£'000
Amounts due to group undertakings (see note 25)	12,681,009	12,836,437

Amounts due to Lloyds Bank plc of £1,597,630,000 (2024: £2,550,340,000) and Amounts due to other group undertakings of £21,457,000 (2024: £38,656,000) are interest-bearing at variable rates, and are unsecured and repayable on demand, although there is no expectation that such a demand would be made. Amounts due to Lloyds Bank plc of £11,033,925,000 (2024: £10,247,441,000) are unsecured, interest-bearing at fixed rates of which £897,124,000 (2024: £nil) is contractually repayable within one year. The Borrowed funds disclosed in Note 26.2 of £5,631,000,000 include both borrowings maturing by December 2026 and one year's contractual amortisation relating to borrowings with a maturity date of greater than one year. Amounts due to Lloyds Bank plc of £27,997,000 are non-interest bearing, and unsecured and repayable on demand.

Note 20. Trade and other payables

	2025	2024
	£'000	£'000
Customer deposit accounts	11,936	13,640
Other payables	53,717	26,530
Accruals and deferred income	39,015	28,968
	104,668	69,138

Customer deposit accounts relate to collateral held in respect of the agreement between the Company and Jaguar Land Rover to cover certain significant dealership costs to the Company during the five year period of the agreement. Amounts unused at the end of the agreement are to be returned to Jaguar Land Rover.

Notes to the financial statements (continued)
For the year ended 31 December 2025

Note 21. Other liabilities

	2025 £'000	2024 £'000
Continuing involvement liability	343,720	798,426

In August 2024, the Company securitised Loans and advances to customers, transferring them to the securitisation vehicle, CARS 2024-1 plc, and retained an interest these assets through its holding of securitised notes issued by this entity. The Company neither transferred nor retained substantially all risk and reward on these assets and, in accordance with IFRS 9, the assets continued to be recognised to the extent of the Company's continuing involvement (Note 15.3). Additionally, as required by IFRS 9, the Company recognised a continuing involvement liability.

Note 22. Provision for liabilities and charges

	Undrawn loan commitments	Payment protection insurance	Motor commission review	Inaccurate interest rate	Partial early settlement	Voluntary termination liability	Other provisions	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2024	1,908	7,983	324,000	4,952	—	—	—	338,843
Charge/(credit) for the year	787	147	616,000	(600)	2,467	—	1,535	620,336
Utilised during the year	—	(2,476)	(29,802)	(3,448)	—	—	(1,380)	(37,106)
At 31 December 2024	2,695	5,654	910,198	904	2,467	—	155	922,073
Charge/(credit) for the year *	(1,454)	—	500,000	—	4	2,000	200	500,750
Utilised during the year	—	(1,632)	(41,236)	(900)	—	—	(238)	(44,006)
Reversal of unused provision	—	—	—	(4)	—	—	—	(4)
At 31 December 2025	1,241	4,022	1,368,962	—	2,471	2,000	117	1,378,813

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated.

*The charge/(credit) for the year shown above of £500,750,000 represents the total movement in provision balances during the year. The Statement of comprehensive income line "Provisions for liabilities and charges – charge for the year" of £500,136,000 includes the £500,000,000 Motor commission provision and £136,000 relating to Other provisions. Movements in certain provisions, including undrawn loan commitments and partially settled balances, are recognised in other Statement of comprehensive income line items based on their nature.

Undrawn loan commitments provision

Undrawn loan commitment provision relates to the expected loss on the loan commitments that the Company has made to its customers for undrawn balances at the year-end.

As at 31 December 2025, the provision of £1,241,000 (2024: £2,695,000) was all categorised as Stage 1 of impairment per the expected credit loss methodology under IFRS 9.

Payment protection insurance ("PPI") provision

As at 31 December 2025, the PPI provision comprises £4,022,000 (2024: £5,654,000) for the cost of making redress payments to customers, the related administration costs and the costs associated with litigation activity to date.

Notes to the financial statements (continued)

For the year ended 31 December 2025

Note 22. Provision for liabilities and charges (continued)

Motor commission review provision

The Company recognised a further £500,000,000 charge following the FCA's announcement in October 2025 that it intends to implement a motor finance commission redress scheme. As at 31 December 2025, the total gross provision recognised prior to any deductions is £1,440,000,000.

The Supreme Court judgment in *Johnson v FirstRand Bank Limited* in August 2025 found that there was an unfair relationship under s.140A of the Consumer Credit Act (CCA). Following the Supreme Court judgment, the FCA published Consultation Paper CP25/27 in October 2025 setting out detailed proposals for a scheme (including their proposed basis) to redress unfair customer relationships.

The increased provision reflects the increased likelihood of a higher number of scheme cases (i.e. discretionary commission arrangements, commercial tie or high commission arrangements) being eligible for redress, including those dating back to 2007 and also the likelihood of a higher level of redress than anticipated in the previous scenario-based provision; the FCA's proposed redress calculation approach is less closely linked to customer loss than previously anticipated.

The Group has made representations to the FCA on a number of aspects of the proposed scheme.

On 3 December 2025, the FCA announced that the pause on motor finance complaints handling would be lifted on 31 May 2026 for complaints made in relation to the subject matter of the scheme, and that this timeline may be superseded in due course by the operational timetable to be set out in the final scheme rules. The FCA also lifted the pause on handling motor finance complaints in respect of leasing products on 5 December 2025. The Company continues to receive new complaints as well as claims in the County Courts in respect of motor finance commissions. A large number of those claims have been stayed, as has a claim in the Competition Appeal Tribunal. In April 2026, the Court of Appeal is expected to consider whether, in the context of motor finance claims, it is possible for multiple unfair relationship claims to be dealt with via one omnibus claim form.

In establishing the provision estimate, the Company has considered the potential impact of the FCA's proposed redress scheme, as well as a number of possible modifications to the scheme which might arise as a result of the consultation. The Company will continue to assess developments and potential impacts following the announcement by the FCA of the final scheme rules, which are expected by the end of March 2026. The ultimate financial impact will be determined by a number of factors still to be resolved, in particular the final scheme rules, customer response rates, scheme operating costs, any further interventions and any broader implications of legal proceedings and complaints. Given the significant level of uncertainty in terms of the final outcome, the ultimate financial impact could materially differ from the amount provided. The total £1,440,000,000 provision represents the Company's current best estimate of the potential impact of the motor finance issue.

Inaccurate interest rate provision

As at 31 December 2025, the provision of £nil (2024: £904,000) is for the cost of making redress payments to customers in relation to an incorrect interest rate calculation which has resulted in customer detriment.

Partial early settlement provision

As at 31 December 2025, the provision of £2,471,000 (2024: £2,467,000) is for the cost of making redress payments to customers in relation to an incorrect rebate calculation which has resulted in customer detriment.

Voluntary termination liability provision

As at 31 December 2025, the provision of £2,000,000 (2024: £nil) is for the cost of making redress payments in relation to an appropriate treatment strategy was not in place for customers who have an agreement with a second schedule that exercise their right to terminate their agreement and pay off their liability balance in full.

Notes to the financial statements (continued)
For the year ended 31 December 2025

Note 23. Share capital

	2025	2024
	£'000	£'000
Allotted, issued and fully paid		
3,132,000,004 ordinary shares (2024: 4) of £0.25 each	783,000	—

All ordinary shares are owned by Black Horse Group Limited. The Company's authorised number of shares is 4,975,628,072 (2024: 3,523,628,072)..

On 3 February 2025, the Company issued 1,680,000,000 ordinary shares of £0.25 each, bringing the total number of shares in issue to 1,680,000,004. On 12 October 2025, the Company issued 1,452,000,000 ordinary shares of £0.25 each, bring the total number of shares in issue to 3,132,000,004; as at this date the total Share capital was £783,000,001.

All ordinary shares rank pari passu in all respects including the right to receive all dividends and other distributions declared, made or paid on the ordinary share capital of the Company.

Note 24. Transfer of financial assets

The Company enters into repurchase and securities lending transactions in the normal course of business that do not result in derecognition of the financial assets concerned. In all cases the transferee has the right to sell or repledge the assets concerned to the transferor.

CARS 2024-1 plc

In August 2024, the Company securitised Loans and advances to customers, transferring them to the securitisation vehicle, CARS 2024-1 plc, and retained an interest in these assets through its holding of securitised notes issued by this entity. The Company neither transferred nor retained substantially all risk and reward on these assets and, in accordance with IFRS 9, the assets continued to be recognised to the extent of the Company's continuing involvement (Note 15.3).

Notes to the financial statements (continued)
For the year ended 31 December 2025

Note 25. Related party transactions

A number of transactions are entered into with related parties in the normal course of business. A summary of the outstanding balances at the year end and the related income and expense for the year is set out below.

	2025	2024
	£'000	£'000
Amounts due from group undertakings		
Black Horse Group Limited	860	—
Suzuki Financial Services Limited	432,333	402,908
Lloyds Bank plc	277,682	280,853
International Motors Finance Limited	156,424	161,142
Other group undertakings	6,644	17,419
Total Amounts due from group undertakings (see note 13)	873,943	862,322
Amounts due to group undertakings		
Lloyds Bank plc	12,659,552	12,797,781
Other group undertakings	21,457	38,656
Total Amounts due to group undertakings (see note 19)	12,681,009	12,836,437
Cash and cash equivalents held with group undertakings		
Lloyds Bank plc	83,113	69,565
Interest income		
International Motors Finance Limited	8,153	7,252
Lloyds Bank plc	12,759	8,663
Securitisation vehicles	871	1,610
Suzuki Financial Services Limited	19,419	17,492
Other group undertakings	20	63
Total Interest income (see note 3)	41,222	35,080
Interest expense		
Lloyds Bank plc	516,108	526,638
Securitisation vehicles	—	5,911
Total Interest expense (see note 3)	516,108	532,549
Other operating income		
Lloyds Bank plc	3	9
Other group undertakings	5,532	4,304
Securitisation vehicle	8,281	—
Total Other operating income (see note 5)	13,816	4,313

The above balances are unsecured in nature and are expected to be settled in cash or by cash equivalents. Transactions in the year are those reflected through the Statement of comprehensive income.

Note that the ultimate parent company and controlling party is Lloyds Banking Group plc, which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. All other entities referred to in these financial statements are fellow group subsidiaries.

Notes to the financial statements (continued)

For the year ended 31 December 2025

Note 25. Related party transactions (continued)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, which is determined to be the Company's Directors and members of the Lloyds Banking Group plc Board. Members of the Lloyds Banking Group plc Board are employed by other companies within the Lloyds Banking Group plc and consider that their services to the Company are incidental to their other responsibilities within the Group. Other than as set out below, there were no transactions between the Company and key management personnel during the current or preceding year.

Key management personnel emoluments

	2025	2024
	£'000	£'000
Short term employee benefits	1,104	800
Post employment benefits	37	21
	1,141	821

26. Financial risk management

The Company's operations expose it to credit risk, liquidity risk, market risk, interest rate risk and business risk; it is not exposed to any significant or foreign exchange risk. Responsibility for the control of overall risk lies with the Board of Directors, operating within a management framework established by the Retail Division, and the ultimate parent, Lloyds Banking Group plc. The interest rate and liquidity risk faced by the Company is in substance managed and borne by other group undertakings which fund the Company and credit risk is carefully monitored by the Retail Division's credit committee and credit functions. Market risk is managed by the Company through the terms negotiated in commercial agreements and management regularly reviewing its portfolio of leases for impairment. Business risk is managed through regular reporting and oversight. A description of the Company's financial assets/liabilities and associated accounting is provided in note 1.

Note 26.1 Credit risk

Credit risk management

Credit risk is the risk that parties with whom the Company has contracted fail to meet their financial obligations (both on and off Balance sheet). Credit risk appetite is set at Board level and is described and reported through a suite of metrics devised from a combination of accounting and credit portfolio performance measures, which include the use of various credit risk rating systems as inputs and assess credit risk at a counterparty level.

For loans and advances, the Company can experience potential losses from both amounts lent and commitments to extend credit to a customer.

Amounts due from other group undertakings are held with other companies within the Group. The credit risk associated with these financial assets is not considered to be significant as these balances are supported by the Group Letter of support.

26. Financial risk management (continued)

Note 26.1 Credit risk (continued)

Credit risk mitigation

Prudent credit principles, risk policies and appetite statements: The independent Risk division sets out the credit principles, credit risk policies and credit risk appetite statements. Credit principles, risk policies and appetite statements are subject to regular review and governance, with any changes subject to an approval process.

Lending criteria: The Company uses a variety of lending criteria when assessing applications for secured lending. The general approval process uses credit acceptance scorecards and involves a review of an applicant's previous credit history using internal data and information held by Credit Reference Agencies. The Company also assesses the affordability and sustainability of lending for each borrower. Affordability assessments for all lending are compliant with relevant regulatory and conduct guidelines. The Company takes reasonable steps to validate information used in the assessment of a customer's income and expenditure.

Stress testing: The Company's credit portfolios are subject to regular stress testing.

Limitations on concentration risk: there are portfolio controls on certain industries, sectors and products to reflect risk appetite as well as individual, customer and bank limit risk tolerances. Credit policies, appetite statements and mandates are aligned to the Group's risk appetite and restrict exposure to higher risk countries and potentially vulnerable sectors and asset classes. Exposures are monitored to prevent both an excessive concentration of risk and single name concentrations. These concentration risk controls are not necessarily in the form of a maximum limit on exposure, but may instead require new business in concentrated sectors to fulfil additional minimum policy and/or guideline requirements.

Individual credit assessment: with the exception of small exposures to small to medium-sized enterprises ("SME") customers where certain relationship managers have limited delegated credit approval authority, credit risk in retail customer portfolios is subject to approval by the independent Risk division, which considers the strengths and weaknesses of individual transactions, the balance of risk and reward, and how credit risk aligns to the Group and divisional risk appetite. Exposure to individual counterparties, groups of counterparties or customer risk segments is controlled through a tiered hierarchy of credit authority delegations and risk-based credit limit guidances per client group for larger exposures. Approval requirements for each decision are based on a number of factors including, but not limited to, the transaction amount, the customer's aggregate facilities, any risk mitigation in place, credit policy, risk appetite, credit risk ratings and the nature and term of the risk.

Loans and advances to customers – credit concentration

The Company lends to customers geographically located in the United Kingdom.

Customers for products in the Retail segment are mainly private individuals. The Wholesale segment comprises financing for motor dealers.

Loans and advances to customers – maximum exposure

The maximum credit risk exposure of the Company in the event of other parties failing to perform their obligations are detailed below. No account is taken of any collateral held.

	As at 31 December 2025		As at 31 December 2024	
	Maximum Exposure	Net Exposure	Maximum Exposure	Net Exposure
	£'000	£'000	£'000	£'000
Underlying Loans and advances to customers, net ¹	13,069,958	13,069,958	12,375,101	12,375,101
Off Balance sheet items:				
Commitments to lend	1,001,027	1,001,027	1,296,598	1,296,598
	14,070,985	14,070,985	13,671,699	13,671,699

¹ Amounts shown net of impairment balances.

Notes to the financial statements (continued)
For the year ended 31 December 2025

Note 26. Financial risk management (continued)

Note 26.1 Credit risk (continued)

Loans and advances to customers – gross carrying amount

The analysis of lending has been prepared by applying the Group's rating scales to the Company's impairment model. The internal credit rating systems are set out below. The Group's PD's, that have been applied, include forward-looking information and are based on 12 month values, with the exception of credit impaired. The internal credit ratings systems used by the Group differ between Retail and Commercial, reflecting the characteristics of these exposures and the way that they are managed internally.

At 31 December 2025		Stage 1	Stage 2	Stage 3	Total
	PD Range	£'000	£'000	£'000	£'000
Retail					
RMS 1-6	0.00-4.50%	9,213,182	2,113,762	—	11,326,944
RMS 7-9	4.51-14.00%	50,443	315,505	—	365,948
RMS 10	14.01-20.00%	—	75,355	—	75,355
RMS 11-13	20.01-99.99%	1,705	149,125	—	150,830
RMS 14	100%	—	—	124,220	124,220
Total		9,265,330	2,653,747	124,220	12,043,297
Wholesale					
CMS 1-10	0.00-0.50%	186,219	—	—	186,219
CMS 11-14	0.51-3.00%	933,061	—	—	933,061
CMS 15-18	3.01-20.00%	263,356	37,531	—	300,887
CMS 19	20.01-99.99%	—	—	—	—
CMS 20-23	100%	—	—	424	424
Total		1,382,636	37,531	424	1,420,591
Total loans and advances to customers		10,647,966	2,691,278	124,644	13,463,888

Notes to the financial statements (continued)
For the year ended 31 December 2025

Note 26. Financial risk management (continued)

Note 26.1 Credit risk (continued)

Loans and advances to customers – gross carrying amount (continued)

At 31 December 2024		Stage 1	Stage 2	Stage 3	Total
	PD Range	£'000	£'000	£'000	£'000
Retail					
RMS 1-6	0.00-4.50%	9,109,701	1,866,297	—	10,975,998
RMS 7-9	4.51-14.00%	47,645	240,443	—	288,088
RMS 10	14.01-20.00%	—	45,373	—	45,373
RMS 11-13	20.01-99.99%	1,536	160,367	—	161,903
RMS 14	100%	—	—	111,078	111,078
Total		9,158,882	2,312,480	111,078	11,582,440
Wholesale					
CMS 1-10	0.00-0.50%	204,366	—	—	204,366
CMS 11-14	0.51-3.00%	731,833	—	—	731,833
CMS 15-18	3.01-20.00%	178,166	3	—	178,169
CMS 19	20.01-99.99%	—	—	—	—
CMS 20-23	100%	—	—	188	188
Total		1,114,365	3	188	1,114,556
Total loans and advances to customers		10,273,247	2,312,483	111,266	12,696,996

Commitments to lend

At 31 December 2025		Stage 1	Stage 2	Stage 3	Total
	PD Range	£'000	£'000	£'000	£'000
Wholesale					
CMS 1-10	0.00-0.50%	116,128	—	—	116,128
CMS 11-14	0.51-3.00%	628,848	—	—	628,848
CMS 15-18	3.01-20.00%	256,051	—	—	256,051
CMS 19	20.01-99.99%	—	—	—	—
		1,001,027	—	—	1,001,027

Notes to the financial statements (continued)
For the year ended 31 December 2025

Note 26. Financial risk management (continued)

Note 26.1 Credit risk (continued)

Commitments to lend (continued)

		Stage 1	Stage 2	Stage 3	Total
At 31 December 2024	PD Range	£'000	£'000	£'000	£'000
Wholesale					
CMS 1-10	0.00-0.50%	153,623	—	—	153,623
CMS 11-14	0.51-3.00%	912,140	—	—	912,140
CMS 15-18	3.01-20.00%	230,039	—	—	230,039
CMS 19	20.01-99.99%	796	—	—	796
		1,296,598	—	—	1,296,598

Retail commitments to lend were £nil at both 31 December 2025 and 31 December 2024.

Analysis of movement in the allowance for impairment losses by stage

	Stage 1	Stage 2	Stage 3	Total
In respect of drawn balances	£'000	£'000	£'000	£'000
At 1 January 2025	21,595	70,957	58,408	150,960
Transfers to Stage 1	5,624	(5,598)	(26)	—
Transfers to Stage 2	(2,541)	6,619	(4,078)	—
Transfers to Stage 3	(2,620)	(13,967)	16,587	—
Impact of transfer between stages	1,182	9,164	15,495	25,841
Changes in risk	543	14,522	13,896	28,961
Charge for the year (including recoveries)	2,188	10,740	41,874	54,802
Advances written off	—	—	(54,305)	(54,305)
Recoveries of prior advances written off	—	—	3,232	3,232
Unwind of discount	—	—	4,321	4,321
At 31 December 2025	23,783	81,697	53,530	159,010

Notes to the financial statements (continued)
For the year ended 31 December 2025

Note 26. Financial risk management (continued)

Note 26.1 Credit risk (continued)

Analysis of movement in the allowance for impairment losses by stage (continued)

	Stage 1	Stage 2	Stage 3	Total
In respect of drawn balances	£'000	£'000	£'000	£'000
At 1 January 2024	22,497	56,751	52,472	131,720
Transfers to Stage 1	11,050	(11,030)	(20)	—
Transfers to Stage 2	(21,496)	25,696	(4,200)	—
Transfers to Stage 3	(6,358)	(12,507)	18,865	—
Impact of transfer between stages	(743)	22,104	33,871	55,232
Other items (credited)/charged to Statement of comprehensive income	(4,859)	(14,997)	39,416	19,560
(Credit)/charge for the year (including recoveries)	(22,406)	9,266	87,932	74,792
Financial assets that have been written off during the year	—	—	(87,768)	(87,768)
Recoveries of prior advances written off	25,451	7,403	2,289	35,143
Unwind of discount	—	—	3,483	3,483
Disposals ¹	(3,947)	(2,463)	—	(6,410)
At 31 December 2024	21,595	70,957	58,408	150,960

¹Includes the impacts of a securitisation transaction as per note 15.3

Reposessed collateral

Collateral held against Loans and advances to customers is principally comprised of motor vehicles. The Company does not take physical possession of any collateral; instead it uses agents to realise the collateral's value as soon as practicable, usually at auction, to settle indebtedness. Any surplus funds are then returned to the borrower or are otherwise dealt with in accordance with appropriate insolvency regulations.

Note 26.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. To manage this risk extensive borrowing facilities are available from within the Group.

Liquidity risks are managed as part of the Group by an intermediate parent company, Lloyds Bank plc, in consultation with the Board of Directors. Monthly reviews of funding positions are undertaken to anticipate any shortfalls.

The liquidity table below is a contractual maturity analysis for amounts due to group undertakings, based on the earliest date the entity could be expected to repay the amounts owed.

Amounts contractually repayable within one year largely reflect intra-group funding repayable on demand, which is managed centrally and not expected to be called.

At 31 December 2025	Up to 1 month	1-3 months	3-12 months	1-5 years	Total
	£'000	£'000	£'000	£'000	£'000
Borrowed funds	1,711,095	732,731	3,187,191	7,049,992	12,681,009
Contractual interest payments	39,476	73,607	279,227	363,098	755,408
	1,750,571	806,338	3,466,418	7,413,090	13,436,417
At 31 December 2024	Up to 1 month	1-3 months	3-12 months	1-5 years	Total
	£'000	£'000	£'000	£'000	£'000
Borrowed funds	2,223,860	637,820	2,711,806	7,262,951	12,836,437
Contractual interest payments	35,471	60,969	238,210	306,136	640,786
	2,259,331	698,789	2,950,016	7,569,087	13,477,223

Notes to the financial statements (continued)

For the year ended 31 December 2025

Note 26. Financial risk management (continued)

Note 26.3 Market risk

Market risk is the risk surrounding the market factors that management has applied in estimating the anticipated residual values of finance lease agreements where the Company retains title of the asset differ from actual trends. The Company is exposed to fluctuations in the value of second hand motor vehicles.

The Company is exposed to market risk, however, the Directors believe the exposure to be carefully managed.

The leasing portfolio includes agreements where the Company has a risk in respect of residual value of the assets. This area of market risk policy is monitored throughout the year at residual value impairment review meetings which occur on a regular basis to consider the exposure taking into account current and projected industry trends in addition to the Company's own risk management data.

Included in Loans and advances to customers is a provision of £234,920,000 (2024: £170,935,000) relating to market risk impairment (note 15.1).

Note 26.4 Interest rate risk

Interest rate risk is the risk of financial loss as a result of adverse movements in interest rates, and arises largely because of timing differences between the repricing of financial assets and liabilities. Interest rate risk is managed at a divisional level, however the Company is exposed to interest rate fluctuations on its borrowings due to factors outside the Company, and as a result a sensitivity analysis has been prepared to illustrate the impact of a change in the rates.

Interest income on the Company's Loans and advances under finance lease and hire purchase contracts is fixed, therefore a movement in interest rates will not immediately effect the return on the portfolio. Interest income on the Company's Other loans and advances to customers is at variable rates.

Amounts due from group undertakings include amounts that are interest bearing at fixed rates for funding of long term loans and advances and variable rates for other borrowings.

Amounts due to group undertakings include amounts that are interest bearing at fixed rates for funding of long term loans and advances and variable rates for other borrowings.

Interest rate risk – sensitivity analysis

The sensitivity analysis is based on the Company's interest-bearing Amounts due to and from group undertakings and Other loans and advances to customers and takes account of movement in the SONIA rate, which is the basis for the interest charged on such balances. A 0.97% (2024: 0.49%) increase or decrease is used to assess the possible increase in interest income and expense. This rate is appropriate as it is the actual movement in the SONIA rate across the year.

If SONIA increased by 0.97% (2024: 0.49%) and all other variables remain constant this would increase interest expense on Amounts due to group undertakings by £21,301,000 (2024: £14,935,000). If SONIA decreased by 0.97% and all other variables remain constant this would decrease interest expense on Amounts due to group undertakings by £21,301,000 (2024: £14,935,000).

If SONIA increased by 0.97% (2024: 0.49%) and all other variables remain constant this would increase interest income on Other loans and advances to customers and amounts due from group undertakings by £15,571,000 (2024: £7,243,000). If SONIA decreased by 0.97% and all other variables remain constant this would decrease interest income on Other loans and advances to customers and amounts due from group undertakings by £15,571,000 (2024: £7,243,000).

Note 26.5 Business risk

Business risk is the risk that the Company's earnings are adversely impacted by a suboptimal business strategy or the suboptimal implementation of the strategy. In assessing business risk consideration is given to internal and external factors such as products, funding, resource capability and economic, political and regulatory factors.

Through regular reports and oversight business risk is managed by corrective actions to plans and reductions in exposures where necessary.

Note 26.6 Financial strategy

The Company does not trade in financial instruments, nor does it use derivatives.

Notes to the financial statements (continued)

For the year ended 31 December 2025

Note 26. Financial risk management (continued)

Note 26.7 Fair values of financial assets and liabilities

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair values of Loans and advances to customers are considered to be level 2 in the valuation hierarchy as their fair value is estimated by discounting anticipated cash flows (including interest at contractual rates) at market rates for similar loans prevailing at the Balance sheet date.

The aggregated fair value of Loans and advances to customers is approximately £13,491,655,000 (2024: £12,541,806,000). The fair value excludes the continuing involvement asset (note 15.3).

The carrying value of all other financial assets and liabilities is considered an approximation of fair value.

Note 27. Capital disclosures

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern whilst not holding an excessive level of capital relative to the level of risk.

The Board of Directors manages the Company's capital in line with policy set by the Company's ultimate parent. The policy guides the Board of Directors to consider changes in economic conditions and the risk characteristics of the Company's Balance sheet when determining the amount of capital the Company should have. In order to adjust the Company's capital the Board of Directors may adjust the amount of dividends to be paid to shareholders or issue new shares. It can also take actions to adjust the risk characteristics of the Company's Balance sheet, for example by selling assets.

The Company's capital includes all components of its equity, movements in which appear in the Statement of changes in equity. The Company does not raise capital from sources external to the Group.

Note 28. Contingent liabilities and capital commitments

During the ordinary course of business the Company is subject to other complaints as well as legal and regulatory reviews, challenges and investigations. All such material matters are periodically reassessed, with the assistance of external professional advisors where appropriate to determine the likelihood of the Company incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established to management's best estimate of the amount required at the relevant Balance sheet date. In some cases it will not be possible to form a view, for example because the facts are unclear or because further time is needed to properly assess the merits of the case, and no provisions are held in relation to such matters. In these circumstances, specific disclosure in relation to a contingent liability will be made where material. The Company does not currently expect the final outcome of any such case to have a material adverse effect on its financial position, operations or cash flows.

The Company's undrawn formal standby facilities, credit facilities and other commitments to lend were £1,001,027,000 (2024: £1,296,598,000).

Note 29. Post balance sheet events

There are no post balance sheet events requiring disclosure in these financial statements.

Note 30. Future developments

There are a number of new accounting pronouncements issued by the IASB with an effective date of 1 January 2027, including IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation of Financial Statements. While many of the existing requirements of IAS 1 Presentation of Financial Statements are retained, IFRS 18 Presentation and Disclosure in Financial Statements introduces additional disclosure obligations in relation to the structure of the income statement, management-defined performance measures, and the aggregation and disaggregation of financial information. IFRS 18 will have no impact on the Company's net profit as it impacts neither recognition nor measurement. The new standard will impact the presentation of the Company's results as it requires that operating, investing and financing activities are presented separately. There will also be a change in the Group's cash flow statement as IFRS 18 requires that the first line of the cash flow statement is operating profit rather than profit before tax.

IFRS 19 Subsidiaries without Public Accountability: Disclosures is being assessed and is not expected to have a significant impact on the Company. IFRS 19 has yet to be endorsed for use in the UK.

The IASB has issued its annual improvements and a number of minor amendments to IFRS Accounting Standards effective date on or after 1 January 2026, including Amendments to IFRS 9 Financial Instruments and Amendments to IFRS 7 Financial Instruments Disclosures. These improvements and amendments are not expected to have a significant impact on the Company.

Note 31. Ultimate parent undertaking and controlling party

The immediate parent company is Black Horse Group Limited (incorporated in England and Wales). The company regarded by the Directors as the ultimate parent company and controlling party is Lloyds Banking Group plc (incorporated in Scotland), which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. Lloyds Bank plc is the parent undertaking of the smallest such group of undertakings. Copies of the financial statements of both companies may be obtained from Group Secretariat, Lloyds Banking Group, 33 Old Broad Street, London, EC2N 1HZ. Lloyds Banking Group plc's financial statements may be downloaded via <https://www.lloydsbankinggroup.com/investors/financial-downloads.html>.

Independent Auditors' report to the members of Black Horse Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Black Horse Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2025 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - uncertainty over motor commission position

We draw attention to note 2 in the financial statements, concerning the uncertainty arising from the final redress scheme rules expected by the end of March 2026. The financial statements include a provision for the estimated redress expense and related operational costs of £1,440 million, reflecting the FCA proposals for a s404 redress scheme. In the absence of final redress scheme rules, significant uncertainty remains regarding the nature and extent of any remediation action, as well as the customer response rates and operating costs. The ultimate financial impact could therefore materially differ from the amount provided, both higher or lower. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Comparing the maturity profile of customer receivables to cash outflows for funding liabilities;
- The extent of risks related to credit, used car market prices and motor commission provision; and
- Consideration of the share issuances in February and October 2025 and the availability of funding and financial support from within the Lloyds Banking Group plc group to fund the existing receivables, new business and any commission redress exposures.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditors' report to the members of Black Horse Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This included UK Companies Act 2006 and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. This included Financial Conduct Authority (FCA) regulation.

We discussed among the audit engagement team including relevant internal specialists such as tax, IT, analytics and modelling, and credit specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and correspondence with the FCA.

Independent Auditors' report to the members of Black Horse Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Taylor, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom

3 March 2026