# Lloyds Bank Covered Bonds LLP

Annual reports and accounts
2024

Member of Lloyds Banking Group

# Members' report

For the year ended 31 December 2024

On behalf of the members of Lloyds Bank Covered Bonds LLP (the 'Partnership' or 'LLP'), the management board presents the members' report and audited financial statements for the year ended 31 December 2024.

**General Information**

The LLP is a limited liability partnership, incorporated in the United Kingdom, registered in England and Wales and domiciled in England (registered number: OC340094).

The LLP is a special purpose vehicle whose business is the acquisition, management and sale of residential mortgage loans and their related security, and to guarantee the bonds (the 'Covered Bonds') issued by Lloyds Bank plc ('Lloyds' or the 'Originator'). The mortgage loans originate from Lloyds and Bank of Scotland plc ('BOS') (collectively known as the 'Originators'), subsidiaries of Lloyds Banking Group plc ('LBG'). The funding to acquire these mortgage loans is provided by loans from Lloyds, using the cash proceeds of the Covered Bonds issued ('Term loans from related party').

Under International Financial Reporting Standard ("IFRS") 9 'Financial Instruments', 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. The members of the management committee of the LLP have concluded that the Originator of the mortgage loans have retained substantially all the risks and rewards of the pool of mortgage loans and as a consequence, the LLP does not recognise the mortgage loans on its balance sheet but rather a deemed loan to the Originator (the 'Deemed loan to the Originator'). The initial amount of the Deemed loan to the Originator corresponds to the consideration paid by the LLP for the mortgage loans.

The activities of the LLP are conducted primarily by reference to a series of transaction documents (the 'Programme Documentation'). The structure has been established as a means of raising finance for Lloyds and no business activities will be undertaken by the LLP beyond those set out in the Programme Documentation.

On 22 October 2008, the LLP initially acquired a £12,000,000,000 beneficial interest in a mortgage loan portfolio originating from Lloyds and has acquired further beneficial interests in mortgage loan portfolios in subsequent years. In consideration for the beneficial interest of the mortgage loan portfolio, the LLP is required to give a combination of:

i. a cash payment to Lloyds from the proceeds of the Term loans from related party;
ii. a record of a capital contribution in kind being made by Lloyds; and
iii. deferred consideration which will be paid by the LLP on each LLP interest payment date in accordance with the relevant priority of payments.

During the year, new loans of £3,765,000,000 of loans were added to the cover pool. (2023: £nil).

**Business review**

The results for the year are disclosed on page 5. The LLP made a profit of £3,000 during the year (2023: £3,000). No change to the current business activity is expected.

During the year, the Partnership paid interest of £3,000 to members (2023: £3,000).

The Covered Bonds are issued in GBP, EUR, NOK and CHF by Lloyds, with the proceeds being paid across to the LLP on issuance by way of the Term loans from related party. The Sterling equivalent amount of the Covered Bonds in issue at 31 December 2024 was £16,590,541,000 (2023: £19,497,119,000). At 31 December 2024, the total value of the mortgage loan portfolio held by the LLP was £25,386,374,000 (2023: £26,194,510,000).

During the year, Covered Bonds with a notional value of £2,631,946,000 were repaid on their expected maturity dates (2023: notional value of £3,844,825,000) and there were no additional cancellations or amendments to the Covered Bonds issued (2023: no cancellations or amendments). No new covered bonds were issued during the year (2023: new issuances with a notional value of £3,523,752,000).

**Economic environment**

The current financial year continues to have economic uncertainty arising from geopolitical tensions, together with the ongoing climate emergency.

The members' assessment suggests that performance of the underlying mortgage loan portfolio in the Deemed loan to the Originator should continue to be satisfactory. Whilst inflationary pressures have eased compared to the previous year, sustained high interest rates and higher prices caused by sterling weakness continue to put pressure on household incomes.

There has been no material impact on the Partnership as of the date of this report. The situation will continue to be monitored and the Servicer, Bank of Scotland plc, will continue to adopt appropriate forbearance measures on behalf of the Partnership.

**Key performance indicators (KPIs)**

A defined set of KPIs for the transaction is set out in the Programme Documentation. An extract of these is shown in note 10 of the financial statements. The KPIs include monitoring the performance of the mortgage loan portfolio and repayments. These KPIs are monitored through monthly investor reporting.

The Management Board is responsible for assessing the risk of irregularities, where caused by fraud or error in the financial reporting and ensuring that the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting.

**Key performance indicators (KPIs) (continued)**

In order to assist the members to mitigate key risks, the LLP is represented by the management board at a monthly meeting with programme managers. This meeting analyses and discusses the trends for the month and identifies any issues or required changes. Any such issues are then reported, further discussed and collectively agreed in accordance with the programme documentation that governs the transaction. The KPIs include monitoring the excess spread on the mortgage loan portfolio. Management board monitors the LLP's performance, reviewing monthly reports on the performance of the mortgages.

The programme allows a maximum Covered Bond issuance, providing that the mortgage loan portfolios acquired and other assets available meet the Asset Coverage Test (the 'ACT'), which states that the adjusted aggregate amounts of mortgage loans and other assets must be of an amount equal to or greater than the total amount of Covered Bonds in issue after taking into account other deductions.

**Current members**

The designated members during the current year, prior year and up to the date of signing the financial statements were as follows:

Lloyds Bank plc
Lloyds Bank Covered Bonds (LM) Limited

**Members' Interests**

The policy regarding the allocation of profits to members and the treatment of capital contributions is set out in Material accounting policies (note 2).

**Management board**

The members on the LLP management board during the year and subsequently were:

| | |
|---|---|
| Gavin Parker | |
| Richard Shrimpton | |
| Peter Green | (resigned 20 March 2024) |
| Tracey Hill | (resigned 28 June 2024) |
| Claire-Elizabeth Padley | (appointed 20 March 2024; resigned 22 July 2024) |
| Monica De Vries | (appointed 28 June 2024) |
| Kristopher Middleton | (appointed 22 July 2024) |

**Statement of disclosure of information to auditor**

Each member in office at the date of approval of this report confirms that:

- so far as the members are aware, there is no relevant audit information of which the Partnership's auditors are unaware; and
- they have taken all the steps that they ought to have taken as members in order to make themselves aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

**Principal risks and uncertainties**

All of the LLP's assets and liabilities have been classified as financial instruments in accordance with IFRS 9 'Financial Instruments'. The LLP's financial instruments comprise a deemed loan to the Originator of the mortgages (equivalent to the value of its investment in the mortgages), derivative contracts, cash and liquid resources, term loans from related party and various other receivables and payables. The main purpose of these financial instruments is to raise finance for Lloyds.

The principal risks arising from the LLP's financial instruments are credit risk, liquidity risk, interest rate and currency risk (note 10). These and other risks which may affect the LLP's performance are detailed below. Further analysis of the risks facing the LLP in relation to its financial instruments and the LLP's financial risk management policies is provided in business review and future developments paragraph.

**Credit risk**

Credit risk arises on the individual loans within the mortgage loan portfolio which are in turn secured on the underlying UK residential properties. The performance of these loans is therefore influenced by the economic environment and the UK housing market. The Partnership holds an interest rate swap with the Originator to swap mortgage interest receipts to Sterling Overnight Interbank Average Rate ("SONIA").

Credit risk for the LLP is mitigated by the amount of overcollateralisation of the beneficial interest in mortgages which is provided by the Originators and which is monitored using the ACT. The overcollateralisation is available in full for the benefit of the LLP.

Credit risk also arises from the company's ability to meet interest obligations. To mitigate this risk, excess spread is available to be used, which arises from the remaining income from the deemed loan after all interest on the bonds and third-party expenses have been settled.

Given the nature of the underlying receivables, the members have considered the conduct provision risk related to payment protection insurance ("PPI") and have assessed this to be low. There have been no such claims during the reporting period and this will continue to be monitored.

**Principal risks and uncertainties (continued)**

**Liquidity risk**

Liquidity risk is the risk that the Partnership is not able to meet its financial obligations as they fall due.

The ability of the LLP to meet its obligations to make principal and interest payments on the Term loans from related party and to meet its operating and administrative expenses is dependent on the amount and timing of the interest and principal repayments on the mortgage loans which support the Deemed loan to the Originator and timely receipts from Lloyds in their capacity as the swap counterparty.

In the event that sufficient funds are not available to redeem the Term loans from related party or make the interest payments due, an amount equal to such a shortfall will be deferred until such funds are received. To the extent that the income on the Deemed loan to the Originator does not provide sufficient funds, the LLP has no other claim on the assets of the Originators.

The LLP has made all necessary payments on the Term loans from related party in accordance with the scheduled repayment dates for the year ended 31 December 2024 and 2023.

**Interest rate and foreign currency rate risk**

Interest rate and foreign currency rate risk is the possibility that changes in interest rates and foreign currency rates will result in higher financing costs and/or reduced income from the LLP's interest bearing-financial assets and liabilities.

The mortgage loans in the cover pool comprise Sterling loans which are subject to variable rates of interest set by the Originators based on general interest rates and competitive considerations, loans which track the Bank of England base rate and loans which are subject to fixed rates of interest. To mitigate the changes in interest and foreign currency rates that may result in the cashflows from the mortgage pools being insufficient to meet the payments under the Term loans from related party, the LLP has entered into currency and interest rate basis swaps with Lloyds.

These financial institutions were rated A (long term) or above by Fitch as at 31 December 2024 (2023: A (long term) or above). The basis swaps substantially eliminate the sensitivity to movements in interest rates and the currency swaps eliminate the sensitivity to movements in foreign currency rates. The Lloyds swaps are not separately recognised in the financial statements as they are incorporated into the Deemed loan to the Originator.

**Operational risks**

The LLP is also exposed to operational risks through a number of contracts with third parties who have agreed to provide operational support to the LLP in accordance with the Programme Documentation. CSC Management Services (UK) Limited, which was rebranded from Intertrust Management Limited on 9 December 2024, has been appointed to provide corporate administration services in accordance with a corporate services agreement dated 20 October 2008. Lloyds has been appointed to act as account bank, servicer and cash manager. Other third parties who have agreed to provide services with respect to the Term loans from related party include the paying agents and the security trustee.

Any potential risks are discussed and monitored as part of monthly Securitisation and Regulated Covered Bonds Reporting & Governance meetings held with management.

**Business risks**

The principal business risks of the LLP are set out in a number of trigger events in the programme documentation, including some which relate to the underlying performance of the mortgage pool. The occurrence of trigger events may lead to a different priority of payments of the Covered Bonds in accordance with established priorities. There has been a reserve fund trigger since 2010, which will not affect the Company's operations.

**Streamlined energy and carbon reporting ("SECR")**

The Partnership is out of scope of the SECR, as it does not meet the numerical thresholds in relation to turnover and number of employees. Due to the nature of the Partnership the members are of the opinion that climate change has a negligible impact.

**Employees**

The LLP had no employees during the year ended 31 December 2024 (2023: none).

**Statement of going concern**

The LLP has continued to perform in line with the Programme Documentation. There are certain rating and non-rating triggers included in the Programme Documentation as explained in the note on Management of risk (note 10). In the course of their regular monitoring of these Key Performance Indicators and review of risk, the members are confident that these triggers remain un-breached and will remain so for the foreseeable future, despite the current adverse economic environment. The members note the limited recourse features of the Covered Bonds, meaning that should there be significant levels of default in the mortgage pool, this would be passed onto the Covered Bond holders.

The members are satisfied that the Partnership is financially sound and has adequate resources to continue to operate for the foreseeable future, being at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

# Members' report (continued)

For the year ended 31 December 2024

**Statement of members' responsibilities in respect of the financial statements**

The Members are responsible for preparing the Members' report and financial statements in accordance with applicable law and regulation.

Company law, as applied to limited liability partnerships by the Limited Liability Partnership (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations"), requires the elected Members to prepare financial statements for each financial year. Under that law the Members have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law, as applied to limited liability partnerships, the Members 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 limited liability partnership and of the profit or loss of the limited liability partnership for that period. In preparing the financial statements, the Members are required to:

- properly select and apply accounting policies; present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in international accounting standards in conformity with the requirements of the Companies Act 2006 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Members are responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Members are also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

**Independent auditor**

The auditor, Deloitte LLP, has expressed its willingness to continue in office and pursuant to section 487(2) of the Companies Act 2006, a written resolution by the members will be passed to confirm the re-appointment of Deloitte LLP as auditor.

**Signed for and on behalf of the members of Lloyds Bank Covered Bonds LLP:**

**Alasdair** Watson
Per pro CSC Directors (No. 3) Limited
As director of Lloyds Bank Covered Bonds (LM) Limited
5 Churchill Place, 10th Floor
London
E14 5HU
24 June 2025

**Gavin Parker**
on behalf of
Lloyds Bank Plc
25 Gresham Street
London
EC2V 7AE
24 June 2025

## Statement of comprehensive income

For the year ended 31 December 2024

| | Note | **2024** | 2023 |
|---|---|---|---|
| | | **£'000** | £'000 |
| Interest receivable and similar income | | **762,259** | 708,703 |
| Interest payable and similar charges | | **(762,162)** | (708,708) |
| **Net interest income/(expense)** | 3 | **97** | (5) |
| Other income | 4 | **-** | 98 |
| Operating expenses | 5 | **(94)** | (90) |
| **Profit for the financial year available for discretionary distribution** | | **3** | 3 |
| Other comprehensive income | | **-** | - |
| Total comprehensive income | | **3** | **3** |

The notes are an integral part of these financial statements.

## Balance sheet

As at 31 December 2024

| | Note | **2024** **£'000** | 2023 £'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | **447,978** | 723,140 |
| Deemed loan to the Originator | 6 | **16,186,967** | 18,774,033 |
| **Total assets** | | **16,634,945** | 19,497,173 |
| **Liabilities** | | | |
| Other payables | 7 | **57** | 53 |
| Term loans from related party | 8 | **16,634,888** | 19,497,120 |
| **Total liabilities** | | **16,634,945** | 19,497,173 |
| Reserves | 9 | - | - |
| **Total members' other interests** | | **-** | - |
| **Total members' other interests and liabilities** | | **16,634,945** | 19,497,173 |
| **Supplemental information** | | | |
| **Total members' interests** | | | |
| Reserves | 9 | **-** | - |
| Deemed loan to the Originator | 6 | **(16,186,967)** | (18,774,033) |
| Term loans from related party | 8 | **16,634,888** | 19,497,120 |
| | | **447,921** | 723,087 |

The notes are an integral part of these financial statements.

These financial statements were approved and authorised for issue by the members on 20 June 2025 and were signed on their behalf by:

**Alasdair** Watson
Per pro CSC Directors (No. 3) Limited
As director of Lloyds Bank Covered Bonds (LM) Limited
5 Churchill Place, 10th Floor
London
E14 5HU

24 June 2025

**Gavin Parker**
on behalf of
Lloyds Bank Plc
25 Gresham Street
London
EC2V 7AE

24 June 2025

## Statement of changes in members' other interests

For the year ended 31 December 2024

| | **2024** | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| | **Reserves** | Reserves |
| Balance as at 1 January | **-** | - |
| Income for the financial year and total comprehensive income | **3** | 3 |
| Discretionary allocation of profits | **(3)** | (3) |
| Balance as at 31 December | **-** | - |

The notes are an integral part of these financial statements.

## Cash flow statement

For the year ended 31 December 2024

| | Note | **2024 £'000** | 2023 £'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Total comprehensive income for the year | | **3** | 3 |
| Adjustments for: | | | |
| - Interest receivable and similar income | 3 | **(762,259)** | (708,703) |
| - Interest payable and similar charges | 3 | **762,162** | 708,708 |
| Changes in operating assets and liabilities: | | | |
| - Net increase/(decrease) in Trade and other payables | 7 | **4** | (90) |
| **Net cash flows used in operating activities** | | **(90)** | (82) |
| **Investing activities** | | | |
| Principal receipts from Deemed loan to the Originator | | **4,720,720** | 4,826,693 |
| Interest received on Deemed loan to the Originator | | **1,611,892** | 1,369,560 |
| Bank interest received | 3 | **34,959** | 29,330 |
| **Net cash flows generated from investing activities** | | **6,367,571** | 6,225,583 |
| **Financing activities** | | | |
| Repayment of Term loans from related party | | **(4,692,592)** | (4,976,160) |
| Interest paid on Term loans from related party | | **(1,082,954)** | (993,286) |
| Senior costs paid to Originator | | **(25,532)** | (24,035) |
| Deferred consideration paid to Originator | | **(841,562)** | (252,529) |
| Interest paid to Members | 9 | **(3)** | (3) |
| **Net cash flows used in financing activities** | | **(6,642,643)** | (6,246,013) |
| **Change in Cash and cash equivalents** | | **(275,162)** | (20,512) |
| Cash and cash equivalents at beginning of year | | **723,140** | 743,652 |
| **Cash and cash equivalents at end of year** | | **447,978** | 723,140 |

The notes are an integral part of these financial statements.

## Notes to the financial statements

For the year ended 31 December 2024

### 1. Basis of preparation

The LLP was incorporated in England and Wales as a limited liability partnership. The Partnership's registered office address is 5 Churchill Place, 10th Floor, London E14 5HU. The principal activities of the Partnership are disclosed on page 1 within the Members' report.

The financial statements of the Partnership have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements also comply with the relevant provisions of Part 15 of the Companies Act 2006, as applied to Limited Liability Partnerships.

The financial statements are presented in Sterling which is the Partnership's functional and presentation currency and have been prepared on the historical cost basis. Figures are rounded to the nearest thousands.

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

The following new IFRS Accounting Standard pronouncements are relevant to the LLP and have been adopted within these financial statements. However, the adoption of this pronouncement did not have a material impact:

The IASB has issued a number of minor amendments to IFRS Accounting Standards effective 1 January 2024, including IFRS 16 Lease liability in a sale and leaseback, IAS 1 Non-current liabilities with covenants, and IAS 1 Classification of liabilities as current or non-current. These amendments do not have a significant impact on the LLP.

Details of those pronouncements which will be relevant to the LLP, but which were not effective at 31 December 2024, and which have not been applied in preparing these financial statements are given in note 13.

The LLP has continued to perform in line with the Programme Documentation. There are certain rating and non-rating triggers included in the Programme Documentation as explained in the note on Management of risk (note 10). In the course of their regular monitoring of these Key Performance Indicators and review of risk, the members are confident that these triggers remain un-breached and will remain so for the foreseeable future, despite the current adverse economic environment. The members note the limited recourse features of the Covered Bonds, meaning that should there be significant levels of default in the mortgage pool, this would be passed onto the Covered Bond holders.

The members are satisfied that the Partnership is financially sound and has adequate resources to continue to operate for the foreseeable future, being at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### 2. 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.

#### (a) Interest receivable and interest payable

Interest payable and receivable are recognised in the Statement of comprehensive income for all interest-bearing financial instruments using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability, financial asset and of allocating the interest expense/ income over the expected life of the financial instrument.

Interest receivable is recognised on each interest payment date as the right to receive is established.

#### (b) Accrued interest

Accrued interest has been incorporated within the outstanding balance of Debt securities in issue on the Balance sheet.

#### (c) Taxation

Taxation on all partnership profits is solely the personal liability of individual members, consequently, neither taxation nor related deferred taxation are accounted for in these financial statements.

#### (d) Financial instruments

The LLP's financial instruments principally comprise a deemed loan to the Originator of the mortgage loans (equivalent to the value of the LLP's investment in mortgages), cash and cash equivalents, derivative contracts, term loans from related party and various other receivables and payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for Lloyds. These financial instruments are classified in accordance with the principles of IFRS 9 as described below.

## 2. Material accounting policies (continued)

### (d)(i) Deemed loan to the Originator

Under IFRS 9, 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. The members of the LLP have concluded that Lloyds has retained substantially all the risks and rewards of the pool of mortgage loans and as a consequence, the LLP does not recognise the mortgage loans on its balance sheet but rather a deemed loan to the Originator, where recourse to Lloyds is limited to the cash flows from the mortgage loans and any additional credit enhancement provided by Lloyds.

The initial amount of the Deemed loan to the Originator corresponds to the consideration paid by the LLP for the mortgage loans. The LLP recognises principal and interest cash flows from the underlying pool of mortgage loans only to the extent that it is entitled to retain such cash flows. Cash flows attributable to Lloyds are not recognised by the LLP. Any excess income from mortgage receipts is passed to the Originator as deferred consideration and is accounted for by netting against the Deemed loan to the Originator.

Subsequent to initial recognition, the Deemed loan to the Originator is presented after netting off the servicing fee, the cash management fee and excess spread / deferred consideration. The Partnership has entered into an Interest Rate Swap Agreement with Lloyds. The interest rate swap substantially eliminates the sensitivity to movements in interest rates. The swap is not separately recognised in the financial statements as it forms part of the Deemed loan to the Originator (see note 10b for further details).

The initial measurement is at fair value with subsequent measurement being at amortised cost using the effective interest method. The effective interest on the Deemed loan to the Originator is calculated with reference to the interest earned on the beneficial interest in the mortgage loan portfolio less the residual interest due to Lloyds. Under the terms of the loan sale agreement, Lloyds retains the right to receive excess income arising on those loans, after certain higher priority payments (predominantly "Expenses") have been met by the Partnership.

In accordance with IFRS 9, the Deemed loan to the Originator is treated as "loans and receivables" and is stated at amortised cost.

**Impairment of financial assets**

At initial recognition, allowance is made for expected credit losses ("ECL") resulting from default events that are possible within the next 12 months (12 month expected credit losses). At each Balance sheet date an assessment is made as to whether, as a result of one or more events occurring after initial recognition, there is objective evidence that the deemed loan has had a significant increase in credit risk. In the event of a significant increase in credit risk since origination, allowance (or provision) is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses).

IFRS 9 requires the financial asset to be allocated to one of three ‘stages’ as follows:

- Stage 1 - Financial assets which have not experienced a significant increase in credit risk since they were originated. Recognition of a 12-month ECL is required. Interest income on stage 1 financial assets is calculated on the gross carrying amount of the financial asset;
- Stage 2 – Financial assets which have experienced a significant increase in credit risk. For financial assets in stage 2, recognition of a lifetime ECL impairment allowance is required. Interest income on stage 2 financial assets is calculated on the gross carrying amount of the financial asset; and
- Stage 3 - Financial assets which have experienced one of more events that have had a detrimental impact on the estimated future cash flows and are considered to be credit impaired. Like stage 2, recognition of a lifetime expected ECL impairment allowance is required. However, interest income on stage 3 loans is calculated on the financial asset balance net of the impairment allowance;

Unlike other financial instruments, the deemed loan to Originator is, by its construction, an instrument that incorporates credit enhancement. The interest due on the deemed loan to Lloyds is only due to the extent it matches the obligations of the entity. The impairment assessment also considers the credit enhancement features of the structure. An impairment on the deemed loan would only be recognised where impairment on the underlying receivables exceeds the credit enhancement in place. Taking into account these factors, the members conclude that there is no significant increase in credit risk of the Deemed Loan since inception and therefore record it as Stage 1.

**Swaps with the Originator**

The Deemed loan to the Originator consists of the "failed sale" of the Sterling mortgage assets, an interest rate swap and foreign currency swaps held with Lloyds to match the receipts from the mortgage assets to the currency and interest rate basis of the Term loans from related party.

Interest rate risk associated with the deemed loan to the Originator is managed by means of an interest rate basis swap with Lloyds, which requires the LLP to pay an amount, calculated with reference to the interest received on the beneficial interest in the mortgage portfolio, and receive payments based on a rate linked to SONIA.

Foreign currency and further basis risk between the mortgage assets in the Deemed loan to the Originator and the Term loans from related party are managed by means of foreign currency swaps with Lloyds and a basis swap with Lloyds. These require the LLP to make payments, calculated on a fixed sterling notional amount at a floating rate of interest plus agreed margins, as per the swap agreements. In return, the LLP receives amounts that align with the currency and rates of the Term loans with related party.

The swaps with Lloyds are not recognised separately as financial instruments as the amounts payable under each swap reflect interest flows from the mortgage loans which are not recognised by the LLP for accounting purposes. Instead, the Deemed loan to the Originator is recognised with an effective interest rate and currency which incorporate the net amounts received or paid under the swaps.

Interest receivable or payable on the swaps is accounted for on an accrual basis within interest receivable on the Deemed loan to the Originator.

## 2. Material accounting policies (continued)

**(d) Financial instruments (continued)**

**(d)(ii) Cash & cash equivalents**

The LLP holds a guaranteed investment contract bank account ("GIC account") and a transaction bank account with the same provider. For the purposes of the Cash flow statement, cash and cash equivalents comprise amounts due from banks with a maturity of less than three months. The use of cash and cash equivalent is restricted by detailed priority of payments as set out in the transaction documents. These bank accounts are classified as "financial assets held at amortised cost" in accordance with IFRS 9 and income is being recorded using the effective interest method. The LLP is entitled to receive a variable rate of interest equal to SONIA less 11.5 basis points (2023: SONIA less 11.5 basis points).

**(d)(ii)(i Non-Cash items in Cash flow statement**

Non-cash investing activities include £3,765,000,000 bond issuance. Non-cash financing activities include principal issued from loan from related parties of £3,765,000,000.

**(d)(iii) Foreign currency**

The Covered Bonds secured against the LLP are denominated in Sterling, Euro, Norwegian Kroner and Swiss Franc. The members consider Sterling to be the LLP's functional currency, as it most closely represents the economic effects of its underlying transactions, and the financial statements are presented in Sterling.

Foreign currency transactions are translated into Sterling using the exchange rate prevailing at the date of the relevant transaction. All foreign currency balances existing at the Balance sheet date are translated into Sterling using the exchange rate at that date.

**(d)(iv) Financial guarantees**

Financial guarantees are contracts that require the LLP to make specified payments to reimburse the Covered Bond holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. No additional liability over and above the interest and principal already detailed in the accounts would be payable.

Where the LLP enters into financial guarantee contracts to guarantee the indebtedness of Lloyds, the LLP treats such guarantee contracts as a contingent liability until such time as it becomes probable that the LLP will be required to make payments under the guarantee. This is not applicable at this time.

**(d)(v) Term loans from related party**

Term loans from related party are recognised initially at fair value less directly related incremental transaction costs. Subsequent to initial recognition, Term loans from related party are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of comprehensive income over the period of the loans on an effective interest basis. The Term loans from related party (equivalent to the proceeds of the Covered Bonds issued) which are received from Lloyds are also accounted for on this basis.

**(e) Contributions and drawings**

Under the terms of the Programme Documentation for the sale of the mortgage loans, Lloyds is treated as having made a capital contribution to the LLP in an amount equal to the difference between the current balance of the mortgage loans sold at each transfer date and the cash payment made by the LLP for the mortgage loans and relevant security on that transfer date. The outstanding capital contributions are not reflected in the financial statements of the LLP as there has been no sale of mortgages for accounting purposes.

Lloyds may from time to time make cash contributions to the LLP which will constitute cash capital contributions. No interest is paid on the members' capital balances. Capital distributions may only be made in accordance with the Programme Documentation where sufficient principal receipts are available and higher priority payments have been made.

Under the priority of payments, payment to the members of the sum of £3,000 in aggregate (or such other sum as may be agreed by members from time to time), is allocated to each member in proportion to their respective capital contribution balances as at the relevant calculation date, subject to a minimum of £1 each, as their profit for their respective interests as members in the LLP.

Capital contributions from members are non-interest-bearing but a nominal profit share amount is paid out in accordance with the priority of payments (see (e) below) and included as part of profit for the financial year available for division amongst members.

During the year and in the previous year, £2,999 was allocated to Lloyds and £1 was allocated to Lloyds Bank Covered Bonds (LM) Limited.

**(f) Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the financial statements may require the exercise of judgement both in the application of accounting policies and in the selection of assumptions used in the calculation of accounting estimates.

These judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. There are no critical accounting judgements or key sources of estimation uncertainty involved in the preparation of these financial statements.

### 3. Net interest income/(expense)

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| **Interest receivable and similar income** | | |
| Interest receivable on Deemed loan to the Originator | **727,300** | 679,373 |
| Bank interest received | **34,959** | 29,330 |
| | **762,259** | 708,703 |
| **Interest payable and similar expense** | | |
| Interest payable on Term loans from related party | **(762,162)** | (708,708) |
| | **97** | (5) |

### 4. Other income

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Release of accrued liabilities | **-** | 98 |

Other income represents release of accrued liabilities related to fees accrued for the statutory audits relating to the financial years ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021. The fees were paid on the Company's behalf by an intermediate parent, Lloyds Bank plc. However, Lloyds Bank plc has since confirmed there was no obligation to repay this balance.

### 5. Operating expenses

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Administration charges | **38** | 37 |
| Audit fees | **56** | 53 |
| | **94** | 90 |

Audit fees relate to the statutory audit. Fees of £47,957 (2023: £44,566), net of VAT, are payable to Deloitte LLP. There are no fees payable to the auditors and their associates for services other than the statutory audit (2023: none).

The LLP had no employees during the year (2023: none) and none of the members received any emoluments from the LLP in the current or previous year. The administration charge represents fees charged by CSC Management Services (UK) Limited in connection with its provision of corporate administration services to the LLP and related companies.

### 6. Deemed loan to the Originator

The mortgage portfolio, which is accounted for as a deemed loan to the Originator and in which the LLP holds a beneficial interest, is held by Lloyds and BOS. The mortgage loans are secured on residential property in England, Wales and Scotland. Mortgages in the pool have to fulfil certain criteria. If they fail to do so, they are removed from the pool and the pool may be replenished.

| | 2024 £'000 | Restated 2023 £'000 |
|---|---|---|
| **Non-current** | | |
| Principal | **13,582,400** | 15,497,940 |
| **Current** | | |
| Principal | **2,560,220** | 3,221,640 |
| Interest | **44,347** | 54,453 |
| **Deemed loan to the Originator** | **16,186,967** | 18,774,033 |

The loan is expected to be repaid on the final maturity dates of the term loans.During the year, deemed loan was reclassified between current and non current balances to align with the maturity profile of the underlying assets. This has no impact on the overall balance sheet, statement of comprehensive income or cash flow statement.

### 7. Other payables

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Audit fee accrual | **57** | 53 |

All amounts are unsecured, non-interest-bearing and due within twelve months of the Balance sheet date.

## 8. Term loans from related party

Term loans from related party comprise a series of term loans from Lloyds, equivalent to the amounts raised under the Covered Bond programme. The Term loans from related party are held in a number of different currencies and have interest charged on either a fixed rate basis or at a rate set in reference to SONIA.

Lloyds will not be relying on repayment of any of the Term loans from related party by the LLP nor the interest thereon in order to meet its repayment or interest obligations under the Covered Bonds. The Term loans from related party will not be repaid by the LLP until amounts payable under the corresponding series of Covered Bonds have been repaid. Amounts owed by the LLP will be paid in accordance with the priority of payments as detailed in the Programme Documentation.

The Covered Bonds issued by Lloyds are unconditionally guaranteed by the LLP. Under the terms of the trust deed, the LLP has provided a guarantee as to payments of interest and principal under the Covered Bonds, where amounts would otherwise be unpaid by Lloyds. The obligations of the LLP under its guarantee constitute direct obligations of the LLP secured against the assets from time to time of the LLP and recourse against the LLP is limited to such assets. The principal asset is the beneficial interest in the mortgage loans acquired from Lloyds.

| **Non-current**<br>**Principal** | **Maturity** | **Margin** | **2024**<br>**£'000** | 2023<br>£'000 |
|---|---|---|---|---|
| GBP - priced against SONIA<br>Weighted average rate 5.50% (2023: 0.46%) | | | | |
| Series 2021-1 | Aug 2026 | 0.25% | **1,750,000** | 1,750,000 |
| Series 2021-2 | Aug 2028 | 0.32% | **1,750,000** | 1,750,000 |
| Series 2021-3 | Aug 2031 | 0.42% | **1,750,000** | 1,750,000 |
| Series 2022-1 | Nov 2027 | 0.65% | **1,000,000** | 1,000,000 |
| Series 2023-2 | Jun 2028 | 0.50% | **1,250,000** | 1,250,000 |
| Series 2023-4 | Nov 2026 | 0.50% | **1,000,000** | 1,000,000 |
| EUR – fixed rate<br>Weighted average rate 1.67% (2023: 1.49%) | | | | |
| Series 2011-1 | Jan 2031 | 4.91% | **37,344** | 39,111 |
| Series 2011-18 | Sep 2026 | 4.35% | **91,285** | 95,605 |
| Series 2011-19 | Oct 2027 | 4.20% | **33,194** | 34,765 |
| Series 2012-3 | Feb 2027 | 4.24% | **39,004** | 40,849 |
| Series 2012-5 | Jun 2027 | 4.40% | **41,493** | 43,457 |
| Series 2012-13 | Mar 2027 | 4.02% | **87,965** | 92,128 |
| Series 2012-17 | Apr 2025 | 3.52% | **-** | 34,765 |
| Series 2012-18 | May 2027 | 3.53% | **46,472** | 48,672 |
| Series 2012-19 | Jun 2025 | 2.79% | **-** | 106,034 |
| Series 2016-3 | Jan 2036 | 1.63% | **141,076** | 147,753 |
| Series 2016-4 | Jan 2036 | 1.66% | **45,642** | 47,802 |
| Series 2016-5 | Jan 2036 | 1.66% | **41,493** | 43,457 |
| Series 2016-6 | Feb 2031 | 1.35% | **41,493** | 43,457 |
| Series 2018-2 | Mar 2025 | 0.63% | **-** | 869,134 |
| Series 2019-4 | Jun 2026 | 0.13% | **829,863** | 869,135 |
| Series 2019-6 | Sep 2029 | 0.13% | **622,396** | 651,851 |
| Series 2023-1 | Feb 2026 | 3.25% | **829,862** | 869,134 |
| GBP – fixed rate<br>Weighted average rate 5.45% (2023: 5.33%) | | | | |
| Series 2011-5 | Feb 2029 | 6.00% | **1,250,000** | 1,250,000 |
| Series 2012-4 | Mar 2025 | 5.13% | **-** | 1,250,000 |
| Series 2012-16 | Mar 2027 | 4.88% | **1,240,000** | 1,240,000 |
| NOK – fixed rate<br>Weighted average rate 5.23% (2023: 5.23%) | | | | |
| Series 2012-14 | Mar 2027 | 5.23% | **70,431** | 77,264 |
| CHF– fixed rate<br>Weighted average rate 1.87% (2023: 1.87%) | | | | |
| Series 2023-3 | Aug 2027 | 1.87% | **387,229** | 412,503 |
| **Total Non-current** | | | **14,376,242** | 16,806,876 |

## Notes to the financial statements (continued)

For the year ended 31 December 2024

### 8. Term loans from related party (continued)

| **Current**<br>**Principal** | **Maturity** | **Margin** | **2024**<br>**£'000** | 2023<br>£'000 |
|---|---|---|---|---|
| GBP - priced against SONIA<br>Weighted average rate 0.57% (2023: 0.62%) | | | | |
| Series 2019-3 | May 2024 | 0.57% | **-** | 1,250,000 |
| EUR – fixed rate<br>Weighted average rate 0.95% (2023: 0.37%) | | | | |
| Series 2010-4 | Sep 2024 | 4.00% | **-** | 43,457 |
| Series 2012-17 | Apr 2025 | 3.52% | **33,194** | - |
| Series 2012-19 | Jun 2025 | 2.79% | **101,243** | - |
| Series 2018-2 | Mar 2025 | 0.63% | **829,862** | - |
| Series 2019-2 | Mar 2024 | 0.25% | **-** | 1,303,702 |
| GBP – fixed rate<br>Weighted average rate 5.45% (2023: 5.33%) | | | | |
| Series 2012-4 | Mar 2025 | 5.13% | **1,250,000** | - |
| NOK – fixed rate<br>Weighted average rate 5.38% (2023: 5.23%) | | | | |
| Series 2012-1 | Jan 2024 | 5.38% | **-** | 38,632 |
| | | | **2,214,299** | 2,635,791 |
| **Accrued interest**<br>Interest due on term loans | | | **44,347** | 54,453 |
| **Total current** | | | **2,258,646** | 2,690,244 |
| **Total** | | | **16,634,888** | 19,497,120 |

Term loans from related party at 31 December 2024 and 2023 comprise a series of term loans from Lloyds, equivalent to the amounts raised under the Covered Bond programme. The Term Loans from related party will not be repaid by the LLP until amounts payable under the corresponding series of Covered Bonds have been repaid. For more information about the Partnership's exposure to risk, see note 10.

## 9. Total members' interests

| **2024** | **Reserves** | **Loans due to/(from) members** | **Total** |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| Members' interests as at 1 January 2024 | **-** | **723,087** | **723,087** |
| Profit for the year available for division among members | **3** | **-** | **3** |
| Loans introduced by members | **-** | **2,587,066** | **2,587,066** |
| Repaid to members | **(3)** | **(2,862,232)** | **(2,862,235)** |
| **Members' interests as at 31 December 2024** | **-** | **447,921** | **447,921** |

The loans and other debts due to/(from) members can be analysed as follows:

| | **Members' interests as at 31 December 2024** |
|---|---|
| | **£'000** |
| Amounts due to members (note 8) | **16,634,888** |
| Amounts due from members (note 6) | **(16,186,967)** |
| **Members' interests as at 31 December 2024** | **447,921** |

| 2023 | Reserves | Loans due to/(from) members | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Members' interests as at 1 January 2023 | - | 743,509 | 743,509 |
| Profit for the year available for division among members | 3 | - | 3 |
| Loans introduced by members | - | 535,955 | 535,955 |
| Repaid to members | (3) | (556,377) | (556,380) |
| Members' interests as at 31 December 2023 | - | 723,087 | 723,087 |

The loans and other debts due to/(from) members can be analysed as follows:

| | Members' interests as at 31 December 2023 £'000 |
|---|---|
| Amounts due to members (note 8) | 19,497,120 |
| Amounts due from members (note 6) | (18,774,033) |
| Members' interests as at 31 December 2023 | 723,087 |

## 10. Management of risk

All of the LLP's assets and liabilities have been classified as financial instruments in accordance with IFRS 9 'Financial Instruments'.

The LLP's financial instruments principally comprise a deemed loan to Lloyds (equivalent to the value of the LLP's investment in Lloyds mortgages), derivative contracts, cash and liquid resources, loans and borrowings and various other receivables and payables that arise directly from its operations.

The principal risks arising from the LLP's financial instruments are credit risk, foreign currency and interest rate risk and liquidity risk. Further detailed analysis of the risks facing the LLP in relation to its financial instruments is provided below.

The LLP's exposure to risk on its financial instruments and the management of such risk is largely determined at the initial set-up of the LLP. The LLP's activities and the role of each party to the transaction is clearly defined and documented. Cash flow modelling, including multiple stress scenarios, is carried out as part of the structuring of the transaction.

In addition, interest rate swaps and foreign currency swaps have been entered into with the Originator as part of the transaction to hedge interest rate and foreign currency risks arising in the transaction including the obligations under the Term loans from related party. The derivative counterparty is selected as a regulated financial institution and this reduces the risk of default and loss for the LLP. Additional credit protection may be afforded by the requirement for the derivative counterparties to post collateral in the event of a downgrade to a counterparty's credit rating.

Following initial set-up, the management board monitors the LLP's performance, reviewing monthly reports on the performance of the mortgages. Such review is designed to ensure that the terms of the Programme Documentation have been complied with, that no unforeseen risks have arisen and that the interest and principal on the Term loans from related party have been paid on a timely basis. Where necessary, the members also make appropriate enquiries of the LLP's professional advisers concerning specific matters which may affect the nature and extent of particular risks to the LLP.

### 10.1. Credit risk

Credit risk arises where there is a possibility that a counterparty may default on its financial obligations resulting in a loss to the LLP.

The LLP has a concentration of risk to Lloyds as the Originator of the mortgages, the LLP's bank account provider, swap counterparty, servicer of the mortgages and cash manager.

Credit risk arises on the individual loans within the mortgage loan portfolio which are in turn secured on UK residential properties. The performance of these mortgage loans is therefore influenced by the economic background and the UK housing market. The ability of the LLP to pay the interest and principal on the Term loans from related party to Lloyds will depend on the amount and timing of payments of interest and principal on the mortgage loans by the borrowers.

In terms of arrears management, the LLP has engaged a servicer (Lloyds Bank plc) of the mortgage loans in the portfolio to help reduce the risk of loss. The servicer is required to monitor repayments on the mortgage loans in accordance with its usual credit policies. The servicer is also responsible for ensuring mortgage loans in the pool meet the eligibility criteria set out in the Programme Documentation.

The income on the mortgage pool is expected to exceed the LLP's expenses and the interest payable on the Term loans from related party. Any excess income (excess spread) that is not required to meet expenses or interest payments is returned to the Originator as deferred consideration.

Credit risk for the LLP is mitigated by the amount of over collateralisation of the beneficial interest in mortgages which is provided by Lloyds and which is monitored using the ACT. The over collateralisation is available in full for the benefit of the LLP. The Programme Documentation provides that the LLP and its members should ensure that the adjusted aggregate loan amount of the mortgage pool asset and cash is at least equal to or greater than the aggregate amount outstanding on the Covered Bonds on each calculation date after taking into account other deductions. The adjusted loan amount is the balance of the mortgage loans after adjusting for various set-offs and adjustments unique to particular groups of loans, together with allowances for loan defaults. The credit support as derived from the ACT as at 31 December 2024 was £6,262,655,000 (2023: £4,197,527,000).

In the event that there is a breach of the ACT, Lloyds is required to take steps to make good the deficit by providing the necessary capital contributions in order that the ACT breach is cured before the next ACT calculation. If there is a breach at the following calculation date, this will constitute a Lloyds event of default, which will entitle the bond trustee to serve a Lloyds acceleration notice on the Issuer of the Covered Bonds. Upon service of such notice, the bond trustee will serve a Notice to Pay ("Notice to Pay") on the LLP under the Covered Bond guarantee. This would require the LLP to repay all amounts outstanding on the Covered Bonds, including principal and accrued interest amounts.

The total mortgage pool made available to the LLP at 31 December 2024 amounted to £25,386,374,000 (2023: £26,194,510,000). As noted in the accounting policies section, the LLP does not recognise the mortgage pool but rather a deemed loan to the Originator.

To the extent that the income on the Deemed loan to the Originator does not provide sufficient funds to recover the LLP's investment in the mortgage portfolio, the LLP has no further claim on the assets of Lloyds. During the current year, sufficient cash has been received from the Deemed loan to the Originator, to enable the LLP to make all necessary payments on the Term loans from related party, following repayment of the related series of Covered Bonds by Lloyds.

The LLP assesses its counterparties for credit risk before contracting with them. Credit rating is the main method used to measure credit risk. In accordance with the criteria of the rating agencies that rate the Covered Bonds issued by Lloyds and by association the Term loans from related party received by the LLP, the Programme Documentation contains various rating triggers linked to each counterparty, which require certain actions to be taken if triggers are breached.

## 10. Management of risk (continued)

| | Counterparty | Rating as at 31 December 2024 and 2023 (Moody's/Fitch) | Rating as at date of approval of financial statements (Moody's/Fitch) |
|---|---|---|---|
| Bank accounts | Lloyds Bank Plc | P-1 / A1 / F1+ / AA- | P-1 / A1 / F1+ / AA- |
| Covered Bond swap and interest rate swap | Lloyds Bank Plc | P-1 / A1 / F1+ / AA- | P-1 / A1 / F1+ / AA- |

In the event that a swap counterparty is downgraded by a rating agency below the ratings specified in the relevant swap agreement, the relevant swap provider will be required to take certain remedial measures as defined in that agreement which may include providing collateral for its obligations under the relevant swap, arranging for its obligations to be transferred to an entity with sufficient rating, procuring another entity with sufficient rating to become co-obligor for its obligations, or taking such other action as it may agree with the relevant rating agency.

**Financial assets subject to credit risk**

The maximum exposure to credit risk arising on the LLP's financial assets at the reporting date is disclosed in the table below and equates to carrying value.

| Assets held at amortised cost | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Cash and cash equivalents | **447,978** | 723,140 |
| Deemed loan to the Originator | **16,186,967** | 18,774,033 |
| | **16,634,945** | 19,497,173 |

**Securitised mortgage assets**

Securitised mortgage loans are analysed according to the rating systems used by the Company and the Originator when assessing customers and counterparties. The total mortgage portfolio balance against which the Deemed loan to the Originator is ultimately secured has been analysed for its credit quality below.

Stage 1 - Financial assets which have not experienced a significant increase in credit risk since they were originated. Recognition of a 12-month ECL is required. Interest income on stage 1 financial assets is calculated on the gross carrying amount of the financial asset;

Stage 2 – Financial assets which have experienced a significant increase in credit risk. For financial assets in stage 2, recognition of a lifetime ECL impairment allowance is required. Interest income on stage 2 financial assets is calculated on the gross carrying amount of the financial asset; and

Stage 3 - Financial assets which have experienced one of more events that have had a detrimental impact on the estimated future cash flows and are considered to be credit impaired. Like stage 2, recognition of a lifetime expected ECL impairment allowance is required. However, interest income on stage 3 loans is calculated on the financial asset balance net of the impairment allowance;

The total mortgage portfolio balance against which the Deemed loan is ultimately secured has been analysed for its credit quality below.

| **2024**<br>Mortgage balance by impairment stage | Mortgage balance £'000 | No. of accounts |
|---|---|---|
| Stage 1 | **24,663,143** | **231,632** |
| Stage 2 | **265,375** | **2,375** |
| Stage 3 | **457,856** | **3,334** |
| | **25,386,374** | **237,341** |

| 2023<br>Mortgage balance by impairment stage | Mortgage balance £'000 | No. of accounts |
|---|---|---|
| Stage 1 | 25,479,677 | 246,305 |
| Stage 2 | 302,170 | 2,536 |
| Stage 3 | 412,663 | 3,305 |
| | 26,194,510 | 252,146 |

## 10. Management of risk (continued)

### 10.2. Foreign currency and interest rate risk

Interest rate and foreign currency risks exist where assets and liabilities have different currencies and interest rates set under a different basis or which reset at different times. The mortgage assets in the Deemed loan to the Originator, the Term loans from related party and the Cash and cash equivalents are exposed to these risks. The LLP minimises its exposure to such risks by ensuring that the foreign currency and interest rate characteristics of assets and liabilities are similar; where this is not possible the LLP uses derivative financial instruments to mitigate these risks.

The underlying mortgage pool comprises mortgage loans which are subject to variable rates of interest set by Lloyds based on general interest rates and competitive considerations, mortgage loans which track the Bank of England base rate and mortgage loans which are subject to fixed rates of interest. To mitigate the changes in interest and foreign currency rates that may result in the interest cash flows from the mortgage pool being insufficient to meet the payments under the Term loans from related party, the LLP has entered into currency and basis swaps with Lloyds. The basis swaps substantially eliminate the sensitivity to movements in interest rates and the currency swaps eliminate the sensitivity to movements in foreign currency rates.

The notional amount of the swap at 31 December 2024 is £25,608,000,000 (31 December 2023: £26,412,000,000).

The effect of currency and interest rate movements has no bearing on the results of the LLP due to the use of derivative contacts.

**2024**

| **Sensitivity to a 50bps movements in SONIA** | **+50bps SONIA £'000** | **-50bps SONIA £'000** |
|---|---|---|
| Impact on interest income | **(45,490)** | **45,490** |
| Impact on interest expense | **45,490** | **(45,490)** |
| Adjustment to Deemed loan | **45,490** | **(45,490)** |
| Adjustment to term loans from related party | **(45,490)** | **45,490** |
| | - | - |

2023

| **Sensitivity to a 50bps movements in SONIA** | **+50bps SONIA £'000** | **-50bps SONIA £'000** |
|---|---|---|
| Impact on interest income | **(42,171)** | **42,171** |
| Impact on interest expense | **42,171** | **(42,171)** |
| Adjustment to Deemed loan | **42,171** | **(42,171)** |
| Adjustment to term loans from related party | **(42,171)** | **42,171** |
| | - | - |

### 10.3. Liquidity risk

Liquidity risk is the risk that the LLP is not able to meet its financial obligations as they fall due.

The LLP's ability to meet payments on the Term loans from related party as they fall due is dependent on timely receipt of funds from the Deemed loan to the Originator which may be delayed due to slow repayment on the mortgage portfolio (see 10(a) credit risk above).

Principal repayments are made on the Term loans from related party with Lloyds in accordance with the LLP's principal priority of payments and reflect the amount of principal collection on the underlying mortgage loans. In the event that the LLP does not have sufficient cash flows from the underlying mortgage loans in order to be able to repay the Term loans from related party as and when they fall due, the members may be required to make cash capital contributions, extend the repayment of the Term loans to related party, or sell mortgages from the mortgage pool, in accordance with the terms of the Programme Documentation.

The liquidity tables below reflect the undiscounted cash payments which will fall due if the structure continues until the contractual maturity date as set out in the Programme Documentation. It is anticipated that the interest and principal received on the Deemed loan to the Originator will be sufficient to allow repayment of the Term loans from related party.

If the cash flows on the underlying mortgage assets are repaid earlier than contractual dates, amounts would have to be paid to the note holders in accordance with the priority of payments.

## 10. Management of risk (continued)

### 10.3. Liquidity risk (continued)

| 2024 | Carrying value | Contractual repayment value | Not later than one month | Later than one month but not later than three months | Later than three months but not later than twelve months | Later than one year but not later than five years | Later than five years |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Principal** | | | | | | | |
| Term loans from related party | **16,590,541** | **16,590,541** | **-** | **2,079,862** | **134,438** | **12,319,192** | **2,057,049** |
| Other payables | **57** | **57** | **-** | **-** | **57** | **-** | **-** |
| **Interest payable** | | | | | | | |
| Term loans from related party | **44,347** | **2,907,502** | **79,428** | **150,967** | **630,504** | **1,814,560** | **232,043** |
| | **16,634,945** | **19,498,100** | **79,428** | **2,230,829** | **764,999** | **14,133,752** | **2,289,092** |

| 2023 | Carrying value | Contractual repayment value | Not later than one month | Later than one month but not later than three months | Later than three months but not later than twelve months | Later than one year but not later than five years | Later than five years |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Principal** | | | | | | | |
| Term loans from related party | 19,442,667 | 19,442,667 | 38,632 | 1,303,702 | 1,293,457 | 12,833,446 | 3,973,430 |
| Other payables | 53 | 53 | - | - | 53 | - | - |
| **Interest payable** | | | | | | | |
| Term loans from related party | 54,453 | 3,113,171 | 70,309 | 135,937 | 578,745 | 2,019,540 | 308,640 |
| | 19,497,173 | 22,555,891 | 108,941 | 1,439,639 | 1,872,255 | 14,852,986 | 4,282,070 |

### 10.4. Prepayment risk

Cash flows on the Deemed loan to Originator are dependent on the underlying residential mortgage loans. However, in the normal course of business, a proportion of borrowers repay their loans in advance of their contractual maturity. As a result, the weighted average life of the Deemed loan to the Originator and of the Term loans from related party may be significantly less than that implied by the contractual maturity dates of the residential mortgage loans.

The rate of prepayment of loans is influenced by a wide variety of economic, social and other factors, including prevailing market interest rates, the availability of alternative financing programmes and local and regional economic conditions.

Prepayment on the residential mortgage loans will not impact the weighted average life of the Term loans from related party as the Covered Bonds will only be repaid in line with contractual maturity dates.

## 10. Management of risk (continued)

### 10.5. Fair values

**(i) Definition of fair value levels**

Per IFRS 13 “Fair Value Measurement” the different levels are defined as follows:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

**(ii) Financial instruments held at amortised cost**

Cash and cash equivalents and Trade and other payables are recognised on an amortised cost basis that is considered to be a close approximation to fair value.

**Deemed loan to Originator**

For the Deemed loan to the Originator, the carrying value of the variable rate loans is assumed to be their fair value. The principal of the loan is consideration for the underlying pool of loans which are significantly held at variable rate. The Term loans from related party (equivalent to the proceeds of the covered bonds issued) which are received from Lloyds are accounted for on an amortised cost basis. The calculation of the fair value of the Term loans from related party is described below.

The Deemed loan to the Originator represents the expected future cashflows expected to be paid on the term loan in addition to any credit enhancement within the LLP. The fair value of the Deemed loan to the Originator has been determined as the fair value of the Term loans from related party with the short-term assets and liabilities removed. This is representative of the price that would be obtained if the financial assets were to be sold to a 3rd party and is considered to be the fair value. The carrying value of the Deemed loan to the Originator is therefore deemed to be a close approximation to fair value.

**Term loans from related party**

The fair value of the Term loans from related party as at 31 December 2024 was £16,604,056,000 (2023: £19,313,893,000). The LLP has Term loans payable to Lloyds, which are back-to-back instruments with similar terms as the Covered Bonds issued by Lloyds. For this reason, the fair value of the Covered Bonds issued is considered equivalent to the fair value of the Term loans from related party.

Under IFRS 13 ‘Fair Value Measurement’, the fair value of the Term loans from related party has been calculated using a market approach. A mid-price was obtained from the Group’s trading desk team for each of the listed Covered Bonds which was applied to the Term loans from related party to derive a fair value and this is considered as Level 2 in the fair value hierarchy. The mid-price as at the Balance sheet date is considered to be an exit price for the purposes of IFRS 13.2. Where prices are unavailable for certain Covered Bonds, the lowest mid-price for equivalent Covered Bonds has been used as an equivalent in order to calculate the fair value. The fair value of those Covered Bonds which are unlisted is determined by a third party based on a discounted cashflow model using unobservable inputs and is considered as Level 3 in the fair value hierarchy.

## 11. Related parties

The LLP is a special purpose entity controlled by Lloyds, one of the two designated members. The second designated member is Lloyds Bank Covered Bonds (LM) Limited. Lloyds is a subsidiary undertaking of LBG.

The LLP has provided a deemed loan to Lloyds and BOS (the Originator of the mortgages), on which the LLP receives income. In addition, the LLP paid cash management and mortgage loan servicing fees to Lloyds during the year in connection with the provision of services defined under the Programme Documentation. These fees amounted to £25,531,000 (2023: £24,035,000). Lloyds is the counterparty to the interest rate swap and one of the counterparties for the foreign currency swap agreements. The swap payments and management fees are included in the income from the Deemed loan to the Originator.

CSC Corporate Services (London) Limited, which was rebranded from Intertrust Corporate Services Limited on 9 December 2024, is the immediate parent company of Lloyds Bank Covered Bonds Holdings Limited, the majority shareholder of Lloyds Bank Covered Bonds (LM) Limited. The issued share in Lloyds Bank Covered Bonds Holdings Limited is held by CSC Corporate Services (London) Limited for the benefit of certain charities under a Share Trust Deed. The LLP pays corporate services fees to CSC Management Services (UK) Limited in connection with its provision of corporate administration services to the LLP and related companies. In 2024 these fees amounted to £24,000 (2023: £22,000).

## Notes to the financial statements (continued)
For the year ended 31 December 2024

### 11. Related parties (continued)

Lloyds has provided a series of term loans to the LLP, on which the LLP pays a variable rate of interest. Certain expenses which are included in other operating expenses may subsequently be paid or reimbursed directly by Lloyds. The LLP has placed funds on deposit in a guaranteed investment contract account provided by Lloyds, and it is contractually entitled to a variable rate of interest of 11.5 basis points per annum below SONIA (2023: 11.5 basis points below SONIA) for one-month Sterling deposits.

During the year, the LLP undertook the transactions set out below with companies within the Lloyds group:

| **At 31 December** | **Ultimate parent 2024 £'000** | **Other related parties 2024 £'000** | Ultimate parent 2023 £'000 | Other related parties 2023 £'000 |
|---|---|---|---|---|
| **Interest receivable and similar income** | | | | |
| Income from deemed loan to the Originator | **727,300** | **-** | 679,373 | - |
| Bank interest receivable | **34,959** | **-** | 29,330 | - |
| **Interest payable and similar charges** | | | | |
| Interest payable on term loans from related party | **762,162** | **-** | 708,708 | - |
| Operating expenses | **-** | **24** | - | 22 |
| **Assets** | | | | |
| Cash and cash equivalents | **447,978** | **-** | 723,140 | - |
| Deemed loan to the Originator | **16,186,967** | **-** | 18,774,033 | - |
| **Liabilities** | | | | |
| Term loans from related party | **16,634,888** | **-** | 19,497,120 | - |

### 12. Post balance sheet event

There are no post balance sheet events which require disclosure in the financial statements.

### 13. Future accounting pronouncements

There are a number of new accounting pronouncements issued by the IASB with an effective date of 1 January 2027. This includes IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation of Financial Statements and IFRS 19 Subsidiaries without Public Accountability: Disclosures. The impact of these standards is being assessed and they have not yet been endorsed for use in the UK.

The IASB has issued its annual improvements and a number of amendments to the IFRS Accounting Standards effective on or after 1 January 2025, including Amendments to IFRS 9 Financial Instruments (effective 1 January 2026) and Amendments to IFRS 7 Financial Instruments Disclosure (effective 1 January 2026) and IAS 21 The Effects of Changes in Foreign Exchange Rates (effective 1 January 2025). These improvement and amendments are not expected to have a significant impact on the Company.

### 14. Ultimate parent undertaking and controlling party

The designated members of the LLP are Lloyds Bank plc and Lloyds Bank Covered Bonds (LM) Limited (as Liquidation Member).

The Partnership meets the definition of a special purpose entity under IFRSs. In accordance with IFRS 10 Consolidated Financial Statements, the Partnership's financial statements are consolidated within the group financial statements of LBG for the year ended 31 December 2024.

The parent undertaking, which is the parent undertaking of the smallest group to consolidate these financial statements is Lloyds Bank plc. Copies of the consolidated annual report and accounts of Lloyds may be obtained from Group Secretariat, Lloyds Banking Group plc, 33 Old Broad Street, London, EC2N 1HZ or downloaded via www.lloydsbankinggroup.com.

The LLP’s ultimate parent and controlling party is Lloyds Banking Group plc. The LLP’s results are included within the consolidated financial statements of Lloyds Banking Group plc. Copies of the group financial statements may be obtained from the Company Secretary’s Office, Lloyds Banking Group plc, 33 Old Broad Street, London EC2N 1HZ.