

Lloyds Bank Covered Bonds LLP

Annual reports and accounts
2025

Members' report

For the year ended 31 December 2025

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 2025.

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.

There were no new loans added to the cover pool during the current year (2024: £3,765,000,000).

Business review

The results for the year are disclosed on page 5. The LLP made a profit of £3,000 during the year (2024: £3,000). No change to the current business activity is expected.

During the year, the Partnership paid interest of £3,000 to members (2024: £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 2025 was £15,557,318,000 (2024: £16,590,541,000). At 31 December 2025, the total value of the mortgage loan portfolio held by the LLP was £20,369,451,000 (2024: £25,386,374,000).

During the year, Covered Bonds with a notional value of £2,266,255,000 were repaid on their expected maturity dates (2024: notional value of £2,631,946,000). There was one Covered Bond with a notional value of £1,750,000,000 which had an amendment to its terms, however there were no additional cancellations during the current year (2024: no cancellations or amendments). One Covered Bond with a notional value of £1,000,000,000 was issued during the year (2024: £nil).

Economic environment

In 2025, the UK economy experienced modest growth alongside persistent inflation pressures. Elevated input costs and continued global uncertainty limited business investment. Technological developments, including increased adoption of artificial intelligence, supported incremental productivity gains; however, challenges such as new US trade tariffs, geopolitical tensions including ongoing conflict in both Eastern Europe and the Middle East and ongoing supply chain disruption continued to weigh on economic activity.

Globally, recovery remained uneven, with inflation and differing monetary policy paths contributing to variable demand conditions. As a result, many UK businesses maintained a cautious approach to investment and expansion.

Consistent with the Group's purpose of Helping Britain Prosper and its commitment to supporting customers, the Group continued to assist those most affected by developments in the economic environment.

The members' assessment suggests that performance of the underlying mortgage loan portfolio in the Deemed loan to the Originator should continue to be satisfactory. 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.

Members' report (continued)

For the year ended 31 December 2025

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 9 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.

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
Kristopher Middleton
Monica De Vries
Richard Shrimpton (resigned 17 September 2025)
Helen O'Connor (appointed 23 October 2025)

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 9). 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 LLP'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.

Members' report (continued)

For the year ended 31 December 2025

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 2025 and 2024.

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 2025 (2024: 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 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.

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 2025 (2024: 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 9). 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 2025

Post balance sheet events

In March 2026, two Covered Bonds were issued: Series 2026-1 with a notional value of £1,500,000,000 and Series 2026-2 with a notional value of £1,750,000,000.

In May 2026, a further three Covered Bonds were issued: Series 2026-3, Series 2026-4 and Series 2026-5, with notional values of €1,500,000,000, €500,000,000 and £2,000,000,000, respectively. More details can be found in note 11.

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 United Kingdom adopted 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:

- 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 UK adopted 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 Partnership will continue in business.

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.

Auditor and disclosure of information to auditor

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

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

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

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


Alasdair Watson (May 21, 2026 10:19:59 GMT+1)

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
21 May 2026


Gavin Parker (May 21, 2026 10:23:22 GMT+1)

Gavin Parker
on behalf of
Lloyds Bank Plc
25 Gresham Street
London
EC2V 7AE
21 May 2026

Statement of comprehensive income

For the year ended 31 December 2025

	Note	2025 £'000	2024 £'000
Interest receivable and similar income		616,264	762,259
Interest payable and similar charges		(616,165)	(762,162)
Net interest income	3	99	97
Operating expenses	4	(96)	(94)
Profit for the financial year available for discretionary distribution		3	3
Other comprehensive income		-	-
Total comprehensive income		3	3

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

Balance sheet

As at 31 December 2025

	Note	2025 £'000	2024 £'000
Assets			
Cash and cash equivalents		449,074	447,978
Deemed loan to the Originator	5	15,148,651	16,186,967
Total assets		15,597,725	16,634,945
Liabilities			
Other payables	6	59	57
Term loans from related party	7	15,597,666	16,634,888
Total liabilities		15,597,725	16,634,945
Reserves	8	-	-
Total members' other interests		-	-
Total members' other interests and liabilities		15,597,725	16,634,945
Supplemental information			
Total members' interests			
Reserves	8	-	-
Deemed loan to the Originator	5	(15,148,651)	(16,186,967)
Term loans from related party	7	15,597,666	16,634,888
		449,015	447,921

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

These financial statements were approved and authorised for issue by the members on 21 May 2026 and were signed on their behalf by:


Alasdair Watson (May 21, 2026 10:19:59 GMT+1)

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

21 May 2026


Gavin Parker (May 21, 2026 10:23:22 GMT+1)

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

21 May 2026

Statement of changes in members' other interests

For the year ended 31 December 2025

	2025 £'000	2024 £'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)
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Balance as at 31 December	-	-
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The accompanying notes are an integral part of the financial statements.

Cash flow statement

For the year ended 31 December 2025

	Note	2025 £'000	2024 £'000
Operating activities			
Total comprehensive income for the year		3	3
Adjustments for:			
- Interest receivable and similar income	3	(616,264)	(762,259)
- Interest payable and similar charges	3	616,165	762,162
Changes in operating assets and liabilities:			
- Net increase in Trade and other payables	6	2	4
Net cash flows used in operating activities		(94)	(90)
Investing activities			
Principal receipts from Deemed loan to the Originator		5,153,149	4,720,720
Interest received on Deemed loan to the Originator		1,157,916	1,611,892
Bank interest received	3	19,049	34,959
Net cash flows generated from investing activities		6,330,114	6,367,571
Financing activities			
Repayment of Term loans from related party		(5,131,574)	(4,692,592)
Interest paid on Term loans from related party		(786,538)	(1,082,954)
Senior costs paid to Originator		(21,709)	(25,532)
Deferred consideration paid to Originator		(389,100)	(841,562)
Interest paid to Members	8	(3)	(3)
Net cash flows used in financing activities		(6,328,924)	(6,642,643)
Change in Cash and cash equivalents		1,096	(275,162)
Cash and cash equivalents at beginning of year		447,978	723,140
Cash and cash equivalents at end of year		449,074	447,978

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

Notes to the financial statements

For the year ended 31 December 2025

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 United Kingdom adopted 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 pronouncement is relevant to the LLP and has been adopted within these financial statements. However, the adoption of this pronouncement did not have a material impact.

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 LLP.

Details of those pronouncements which will be relevant to the LLP, but which were not effective at 31 December 2025, and which have not been applied in preparing these financial statements are given in note 12.

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 9). 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.

2.1 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.

2.2 Accrued interest

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

2.3 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.

2.4 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.

2.4.1 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.

Notes to the financial statements (continued)

For the year ended 31 December 2025

2. Material accounting policies (continued)

2.4.1 Deemed loan to the Originator (continued)

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 9.2 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

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

2.4.1(i) 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.

2.4.1(ii) 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.

Notes to the financial statements (continued)

For the year ended 31 December 2025

2. Material accounting policies (continued)

2.4.2 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 (2024: SONIA less 11.5 basis points).

2.4.2(i) Non-Cash items not included in Cash flow statement

Non-cash investing activities include £1,000,000,000 in additions to the deemed loan, while non-cash financing activities include £1,000,000,000 in principal issued from a loan by related parties. (2024: non-cash investing activities include £3,765,000,000 as both an increase and decrease on the deemed loan, reflecting over collateralisation during the period).

2.4.3 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.

2.4.4 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.

2.4.5 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.

2.5 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.

Notes to the financial statements (continued)

For the year ended 31 December 2025

2. Material accounting policies (continued)

2.6 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

	2025 £'000	2024 £'000
Interest receivable and similar income		
Interest receivable on Deemed loan to the Originator	597,215	727,300
Bank interest received	19,049	34,959
	616,264	762,259
Interest payable and similar expense		
Interest payable on Term loans from related party	(616,165)	(762,162)
	99	97

4. Operating expenses

	2025 £'000	2024 £'000
Administration charges	37	38
Audit fees	59	56
	96	94

Audit fees relate to the statutory audit. Fees of £43,000 (2024: £42,000), net of VAT, are payable to Deloitte LLP. The LLP pays the statutory audit fees of Lloyds Covered Bonds (LM) Limited of £6,000 (2024: £6,000), net of VAT. There are no fees payable to the auditors and their associates for services other than the statutory audit (2024: none).

The LLP had no employees during the year (2024: 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.

5. 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.

	2025 £'000	2024 £'000
Non-current		
Principal	12,092,685	13,582,400
Current		
Principal	3,015,617	2,560,220
Interest	40,349	44,347
Deemed loan to the Originator	15,148,651	16,186,967

The loan is expected to be repaid on the final maturity dates of the term loans. During the year, deemed loan was classified 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.

6. Other payables

	2025 £'000	2024 £'000
Audit fee accrual	59	57

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

Notes to the financial statements (continued)

For the year ended 31 December 2025

7. 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 Principal	Maturity	Margin	2025 £'000	2024 £'000
GBP – priced against SONIA Weighted average rate 4.20% (2024: 5.50%)				
Series 2021-1*	Aug 2030	0.53%	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
Series 2025-1	Nov 2030	0.47%	1,000,000	-
EUR – fixed rate Weighted average rate 1.44% (2024: 1.67%)				
Series 2011-1	Jan 2031	4.91%	39,284	37,344
Series 2011-18	Sep 2026	4.35%	-	91,285
Series 2011-19	Oct 2027	4.20%	34,919	33,194
Series 2012-3	Feb 2027	4.24%	41,030	39,004
Series 2012-5	Jun 2027	4.40%	43,649	41,493
Series 2012-13	Mar 2027	4.02%	92,536	87,965
Series 2012-18	May 2027	3.53%	48,887	46,472
Series 2016-3	Jan 2036	1.63%	148,407	141,076
Series 2016-4	Jan 2036	1.66%	48,014	45,642
Series 2016-5	Jan 2036	1.66%	43,649	41,493
Series 2016-6	Feb 2031	1.35%	43,649	41,493
Series 2019-4	Jun 2026	0.13%	-	829,863
Series 2019-6	Sep 2029	0.13%	654,736	622,396
Series 2023-1	Feb 2026	3.25%	-	829,862
GBP – fixed rate Weighted average rate 5.44% (2024: 5.45%)				
Series 2011-5	Feb 2029	6.00%	1,250,000	1,250,000
Series 2012-16	Mar 2027	4.88%	1,240,000	1,240,000
NOK – fixed rate Weighted average rate 5.23% (2024: 5.23%)				
Series 2012-14	Mar 2027	5.23%	73,848	70,431
CHF – fixed rate Weighted average rate 1.87% (2024: 1.90%)				
Series 2023-3	Aug 2027	1.87%	412,719	387,229
Total Non-current			12,715,327	14,376,242

Notes to the financial statements (continued)

For the year ended 31 December 2025

7. Term loans from related party (continued)

Current Principal	Maturity	Margin	2025 £'000	2024 £'000
GBP - priced against SONIA Weighted average rate 4.74% (2024: 0.57%)				
Series 2023-4	Nov 2026	0.50%	1,000,000	-
EUR – fixed rate Weighted average rate 1.83% (2024: 0.95%)				
Series 2011-18	Sep 2026	4.35%	96,028	-
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 2019-4	Jun 2026	0.13%	872,981	-
Series 2023-1	Feb 2026	3.25%	872,981	-
GBP – fixed rate Weighted average rate 0.00% (2024: 5.14%)				
Series 2012-4	Mar 2025	5.13%	-	1,250,000
			2,841,990	2,214,299
Accrued interest				
Interest due on term loans			40,349	44,347
Total current			2,882,339	2,258,646
Total			15,597,666	16,634,888

Term loans from related party at 31 December 2025 and 2024 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 9.

* During the year, Term loan Series 2021-1 had its margin increased from 0.25% to 0.53% and its maturity extended from 8 August 2026 to 8 August 2030, effective from 31 July 2025.

8. Total members' interests

2025	Reserves £'000	Loans due to/(from) members £'000	Total £'000
Members' interests as at 1 January 2025	-	447,921	447,921
Profit for the year available for division among members	3	-	3
Loans introduced by members	-	1,038,316	1,038,316
Repaid to members	(3)	(1,037,222)	(1,037,225)
Members' interests as at 31 December 2025	-	449,015	449,015

Notes to the financial statements (continued)

For the year ended 31 December 2025

8. Total members' interests (continued)

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

2025	Members' interests as at 31 December 2025 £'000
Amounts due to members (note 7)	15,597,666
Amounts due from members (note 5)	(15,148,651)
<hr/>	
Members' interests as at 31 December 2025	449,015

2024	Reserves	Loans due to/(from) members £'000	Total £'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)
<hr/>			
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:

2024	Members' interests as at 31 December 2024 £'000
Amounts due to members (note 7)	16,634,888
Amounts due from members (note 5)	(16,186,967)
<hr/>	
Members' interests as at 31 December 2024	447,921

9. 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.

Notes to the financial statements (continued)

For the year ended 31 December 2025

9. Management of risk (continued)

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.

9.1 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 2025 was £3,068,582,000 (2024: £6,262,655,000).

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 2025 amounted to £20,369,451,000 (2024: £25,386,374,000). 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.

	Counterparty	Rating as at 31 December 2025 and 2024 (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.

Notes to the financial statements (continued)

For the year ended 31 December 2025

9. Management of risk (continued)

9.1 Credit risk (continued)

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	2025 £'000	2024 £'000
Cash and cash equivalents	449,074	447,978
Deemed loan to the Originator	15,148,651	16,186,967
	15,597,725	16,634,945

Securitised mortgage assets

Securitised mortgage loans are analysed according to the rating systems used by the LLP 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.

2025	Mortgage balance £'000	No. of accounts
Mortgage balance by impairment stage		
Stage 1	19,823,496	192,840
Stage 2	234,378	2,068
Stage 3	311,577	2,363
	20,369,451	197,271
<hr/>		
2024	Mortgage balance £'000	No. of accounts
Mortgage balance by impairment stage		
Stage 1	24,663,143	231,632
Stage 2	265,375	2,375
Stage 3	457,856	3,334
	25,386,374	237,341

9.2 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.

Notes to the financial statements (continued)

For the year ended 31 December 2025

9. Management of risk (continued)

9.2 Foreign currency and interest rate risk (continued)

The notional amount of the swap at 31 December 2025 is £20,565,812,000 (31 December 2024: £25,608,000,000). The effect of currency and interest rate movements has no bearing on the results of the LLP due to the use of derivative contacts.

2025	+50bps SONIA £'000	-50bps SONIA £'000
Sensitivity to a 50bps movements in SONIA		
Impact on interest income	(45,945)	45,945
Impact on interest expense	45,945	(45,945)
Adjustment to Deemed loan	45,945	(45,945)
Adjustment to term loans from related party	(45,945)	45,945
Net sensitivity impact	-	-
<hr/>		
2024	+50bps SONIA £'000	-50bps SONIA £'000
Sensitivity to a 50bps movements in SONIA		
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
Net sensitivity impact	-	-

9.3 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 9.1) 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.

2025	Carrying value £'000	Contractual repayment value £'000	Not later than one month £'000	Later than one month but not later than three months £'000	Later than three months but not later than twelve months £'000	Later than one year but not later than five years £'000	Later than five years £'000
Principal							
Term loans from related party	15,557,317	15,557,317	-	872,981	1,969,009	10,642,324	2,073,003
Other payables	59	59	-	-	59	-	-
Interest payable							
Term loans from related party	40,349	1,868,086	51,217	95,170	430,393	1,223,118	68,188
	15,597,725	17,425,462	51,217	968,151	2,399,461	11,865,442	2,141,191

Notes to the financial statements (continued)

For the year ended 31 December 2025

9. Management of risk (continued)

9.3 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

9.4 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.

9.5 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. The fair value of the deemed loan is £15,147,147,000 (2024: £16,156,136,000).

Notes to the financial statements (continued)

For the year ended 31 December 2025

9. Management of risk (continued)

9.5 Fair values (continued)

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

Term loans from related party

The fair value of the Term loans from related party as at 31 December 2025 was £15,596,161,000 (2024: £16,604,056,000). 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.

10. 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 £21,714,000 (2024: £25,531,000). 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 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. These fees amounted to £23,000 (2024: £24,000).

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 (2024: 11.5 basis points below SONIA) for one-month Sterling deposits.

During the year, the LLP undertook the transactions set out below with related parties:

At 31 December	Lloyds Bank plc and subsidiaries 2025 £'000	Other related parties 2025 £'000	Lloyds Bank plc and subsidiaries 2024 £'000	Other related parties 2024 £'000
Interest receivable and similar income				
Income from deemed loan to the Originator	597,215	-	727,300	-
Bank interest receivable	19,049	-	34,959	-
Interest payable and similar charges				
Interest payable on term loans from related party	616,165	-	762,162	-
Operating expenses	8	23	-	24
Assets				
Cash and cash equivalents	449,074	-	447,978	-
Deemed loan to the Originator	15,148,651	-	16,186,967	-
Liabilities				
Term loans from related party	15,597,666	-	16,634,888	-

Notes to the financial statements (continued)

For the year ended 31 December 2025

11. Post balance sheet events

In March 2026, two Covered Bonds were issued: Series 2026-1 with a notional value of £1,500,000,000 and Series 2026-2 with a notional value of £1,750,000,000.

In May 2026, a further three Covered Bonds were issued: Series 2026-3, Series 2026-4 and Series 2026-5, with notional values of €1,500,000,000, €500,000,000 and £2,000,000,000, respectively.

12. Future accounting pronouncements

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 LLP's net profit as it impacts neither recognition nor measurement. The new standard will impact the presentation of the LLP'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 LLP. IFRS 19 has yet to be endorsed for use in the UK.

The IASB has issued its annual improvements and a number of amendments to the IFRS Accounting Standards effective 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 LLP.

13. 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 2025.

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 the 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 Group Secretariat, Lloyds Banking Group plc, 33 Old Broad Street, London EC2N 1HZ.

Independent auditor's report to the members of Lloyds Bank Covered Bonds LLP

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Lloyds Bank Covered Bonds LLP (the 'limited liability partnership'):

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2025 and of its profit 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 as applied to limited liability partnerships.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in members' other interests;
- the cash flow statement;
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law 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 limited liability partnership 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.

Conclusions relating to going concern

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

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 limited liability partnership'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 members with respect to going concern are described in the relevant sections of this report.

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 members are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and 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 members

As explained more fully in the members' responsibilities statement, the members 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 members 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 members are responsible for assessing the limited liability partnership'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 members either intend to liquidate the limited liability partnership 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 limited liability partnership's industry and its control environment, and reviewed the limited liability partnership's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the members about their own identification and assessment of the risks of irregularities, including those that are specific to the limited liability partnership's business sector.

We obtained an understanding of the legal and regulatory framework that the limited liability partnership 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. These included the Companies Act 2006 as applied to limited liability partnerships; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the limited liability partnership's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team and relevant internal 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.

As a result of performing the above, we identified the greatest potential for fraud that management might overstate the principal and interest receipts, by transferring cashflows from loans which are not part of the securitised portfolio of the limited liability partnership and, therefore, the related cashflows are incorrectly recorded in the waterfall reports. Our specific procedures performed to address this risk are described below:

- obtained an understanding of and tested the relevant controls over the process of recording principal and interest receipts in the waterfall reports;
- on a sample basis, tested that the customer loans which are securitised in the limited liability partnership are appropriately tagged as securitised in the originator's system;
- tested the completeness of principal and interest receipts by testing the movement in the value of the securitised portfolio during the year;
- on a sample basis, tested the principal and interest receipts from the securitised portfolio by tracing receipts to customers' statements; and
- traced the total receipts recorded in the monthly waterfall reports with the amounts received in the bank account of the limited liability partnership.

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.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to limited liability partnerships 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
- 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 limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the limited liability partnership'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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Ifada Mahroof FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
21 May 2026