Lloyds Banking Group plc

Key Rating Drivers

Strong, Diversified UK Bank: Lloyds Banking Group plc's (LBG) ratings reflect its solid, diversified business profile in the UK, underpinned by its leading retail and business banking franchises and complemented by its insurance operations. The ratings also reflect consistently strong profitability, strong capitalisation, and robust funding and liquidity.

Group VR: LBG acts as the holding company for the group, and its Viability Rating (VR) is equalised with that of its core banks, Lloyds Bank plc (LB) and Bank of Scotland plc (BOS), reflecting high integration and low double leverage. LB's and BOS's Long-Term Issuer Default Ratings (IDRs) are two notches above their VRs as external senior creditors are protected by the group's very large resolution debt buffer.

Conservative Risk Profile: LBG's risk profile is underpinned by its focus on low-risk UK mortgage lending (65% of gross loans at end-3Q26), with low loan-to-value ratios. Prudent underwriting standards mitigate risks from unsecured consumer loans (10%) and commercial lending (20%). Fitch's assessment also incorporates the group's strong and resilient performance through economic cycles, underpinned by robust risk controls.

Strong Asset Quality: Fitch expects LBG's asset quality to remain strong over the next two years, with the impaired loans ratio staying below 2%. The ratio improved to 1.5% at end-3Q26 from 1.7% at end-2025, supported by the resolution of legacy problem loans and the resilient performance of the loan book. We expect loan impairment charges to remain manageable and be easily absorbed by earnings.

Consistently Solid Profitability: LBG's profitability has been consistently strong and compares well with UK and European peers'. We expect operating profit/risk-weighted assets (RWAs; 3Q26: 3.6%) to strengthen to about 4% by 2028 as structural hedge income more than offsets margin pressure in mortgage lending and deposits, while cost inflation and loan impairment charges remain contained. Revenue diversification and strategic investments into non-interest income-generating businesses should provide additional support to earnings.

Strong Capitalisation: We expect LBG's capitalisation to remain strong and commensurate with its rating, underpinned by robust earnings generation and prudent risk management. The group's 13.3% common equity Tier 1 (CET1) ratio at end-3Q26 is above its 13% CET1 target, while targeted capital generation of more than 200bp in 2026 provides ample capacity to absorb unexpected losses or charges. We expect the group to operate with a CET1 ratio of about 13% in 2027 and 2028.

Sound Funding and Liquidity: LBG's funding and liquidity profile is sound, supported by a large and granular deposit base and leading franchise. We expect the loans/deposits ratio (end-3Q26: 99%) to increase slightly in 2026-2027 and liquidity to remain strong. Funding stability is underpinned by proven access to diversified wholesale funding and contingent Bank of England facilities.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

The VRs of LBG, LB and BOS could come under pressure from an increase in the impaired loans ratio to above 3% without a clear path to reduction, and a sustained deterioration in operating profit to below 2.5% of RWAs leading to the CET1 ratio falling below 13% on a sustained basis.

The Long-Term IDRs of LB and BOS would be downgraded if their VRs were downgraded, if the group's resolution debt buffer fell below 15% of RWAs, or if the UK was downgraded due to a cap on the uplift of the IDR to one notch if the VR was at the same level as the sovereign rating.

Fitch could also downgrade LBG's Long-Term IDR and VR by one notch if, all else remaining equal, double leverage increases consistently over 120%, unless this is mitigated by measures that reduce the risk of cash flow mismatches.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

The group's high concentration in the UK market means an upgrade of the VRs of LBG, LB and BOS would require a substantial strengthening of the group's business profile, alongside a continued record of solid operating profitability, plus strong asset quality and capitalisation.

LBG's IDRs would be upgraded if its VR was upgraded. The Long-Term IDRs of LB and BOS would be upgraded if their VRs were upgraded, if the group maintained a resolution debt buffer sustainably above 15% of RWAs, and the UK was upgraded.

Other Debt and Issuer Ratings

Rating Level	LBG	LB	BOS	HBOS plc	LBCM
Senior unsecured debt	A+/F1	AA/F1+	AA		AA/F1+
Tier 2 subordinated debt	A-			A-	
Legacy upper Tier 2	BBB+	BBB+	BBB+		
Legacy innovative Tier 1 non-discretionary/preference stock	BBB				
Additional Tier 1 debt	BBB				

LBG: Lloyds Banking Group plc | LB: Lloyds Bank plc | BOS: Bank of Scotland plc
LBCM: Lloyds Bank Corporate Markets plc | Source: Fitch Ratings

LBG's Short-Term IDR of 'F1' is the lower of two options mapping to the 'A+' Long-Term IDR, as our assessment of the group's funding and liquidity profile does not warrant a higher rating. The Short-Term IDRs of LBG's subsidiaries are 'F1+', which is the only option for 'AA' Long-Term IDRs.

The long-term senior unsecured debt ratings, long-term deposit ratings and Derivative Counterparty Ratings (DCRs) of LB and BOS are two notches above their VRs, reflecting our view of creditor protection from LBG's very large resolution debt buffer (end-1H26: 18%), which we expect to sustainably exceed 15%.

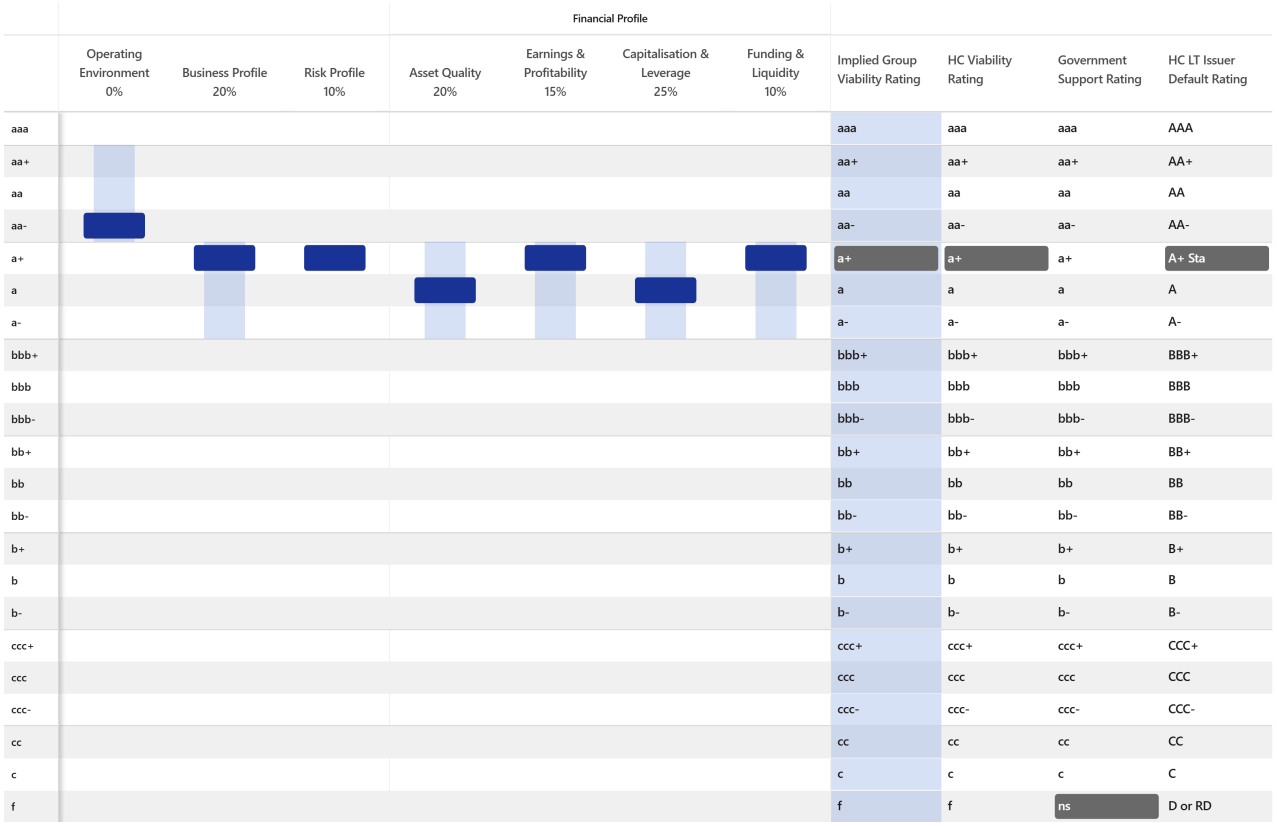
The senior unsecured debt instruments of LBG are rated in line with its VR for the same reason.

Tier 2 debt issued by LBG is rated two notches below its VR. This is the baseline notching under our criteria, reflecting high loss severity for this type of debt.

The ratings of legacy upper Tier 2 subordinated debt issued by LBG, LB and BOS are notched down three times from their VRs: twice for loss severity and once for incremental non-performance risk.

Additional Tier 1 (AT1) and legacy Tier 1 debt and preferred stock issued by LBG are rated four notches below the anchor VR, two each for loss severity and incremental non-performance risk. Our assessment is based on the group operating with a CET1 ratio comfortably above the maximum distributable amount thresholds, and we expect this to continue.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

Factor Outlook

Stable Evolving Positive Negative

Company Summary and Key Qualitative Factors

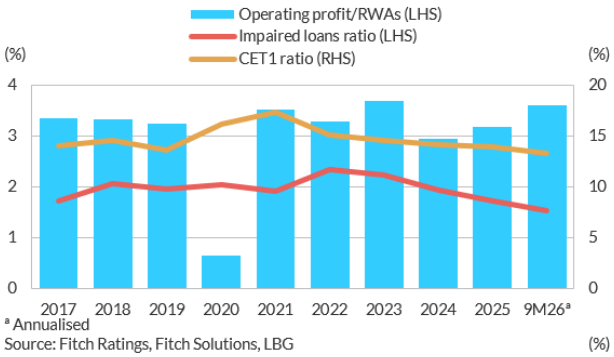
Business Profile

LBG's business profile benefits from its leading market shares in the UK and diversification in retail and business banking, as well as insurance operations. As the UK's largest domestically focused bank, it controls about a fifth of total mortgage lending, and its market shares in consumer cards, retail deposits and SME/commercial lending are also strong. LBG's stable business model and diversification by product underpin its long record of solid profitability, including during years of low interest rates, despite geographical concentration in the UK.

Mortgage loans were about two-thirds of total loans at end-3Q26. Unsecured lending and UK motor finance loans formed a moderate 10% of gross loans, although their contribution to earnings is greater given higher margins. Commercial banking focuses on UK-based SMEs and corporate clients. LBG's insurance services are run under the Scottish Widows Limited (A+/Stable) brand and cover a range of products. This makes LBG one of the top UK providers of life and home insurance and pensions and investments.

LBG's new "Accelerate 2030" strategy retains the group's focus on sustainable earnings growth, diversification and operational efficiency. The strategy is centered on three pillars: growing core franchises, deepening and diversifying customer relationships, and improving productivity through technology, digitalisation and artificial intelligence. It places a greater emphasis on realising synergies across its banking, insurance and wealth franchises and using AI to support growth and efficiency. LBG targets mid-single-digit net income growth, high-single-digit growth in other operating income, a cost/income ratio below 45% and a return on tangible equity of around 20% in 2030.

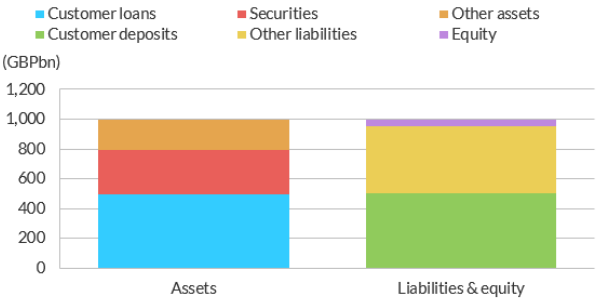
Performance Through the Cycle



[a] Annualised
Source: Fitch Ratings, Fitch Solutions, LBG

Balance Sheet

End-Sept 2026



Source: Fitch Ratings, Fitch Solutions, LBG

Risk Profile

LBG's underwriting standards are conservative and consistent with the bank's long-term strategy, and, in our view, risk controls, limits and reporting tools are robust. Mortgages with low loan-to-value ratios (stock average at end-1H26: 45.7%) dominate the loan book, providing a solid buffer against potential declines in house prices. Fitch expects UK house prices to fall by 1%-2% in 2026 and 2027.

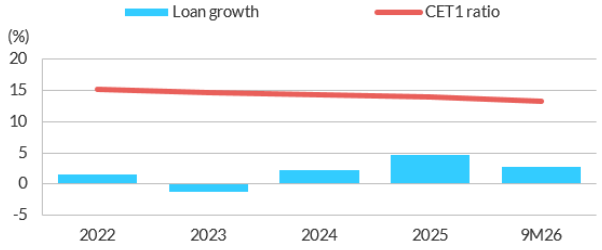
LBG's gross loans increased by 2.8% in 9M26, with growth concentrated in commercial banking (+10% YTD) and unsecured retail lending. Retail lending increased by 1.7%, driven by 6% aggregate growth in credit cards, unsecured lending and motor finance, compared with modest 0.65% growth in UK mortgages. This resulted in a slight shift in the loan mix towards higher-yielding consumer lending. Fitch expects lending growth in 2027 to remain broadly in line with 2026 levels, driven primarily by corporate lending in sectors with above average growth prospects and unsecured retail lending. We expect mortgage growth to remain more moderate, constrained by elevated interest rates and stretched borrower affordability. Growth in balance-sheet-light insurance and wealth activities is also likely to continue, supported by strategic initiatives.

Market risk arises mainly from structural interest-rate risk in the banking book, in line with the bank's lending focus, and is appropriately managed through hedging. Interest-rate risk is also mitigated by the group's structural hedge, which hedges stable or relatively interest-rate-insensitive liabilities. LBG's sterling structural hedge remained a significant earnings support, with a notional balance of GBP246 billion at end-3Q26 (end-2025: GBP244 billion) and a weighted-average life of approximately 3.75 years. The hedge generated GBP5.2 billion of income in 9M26 and will continue to support NII in 2027 as higher-yielding reinvestments flow through earnings.

Residual value risk in motor finance has increased as used car prices have softened from the elevated levels seen following the pandemic. LBG actively manages this risk through conservative residual value setting, regular assumption reviews, residual value insurance and securitisation, and risk-sharing agreements with manufacturers.

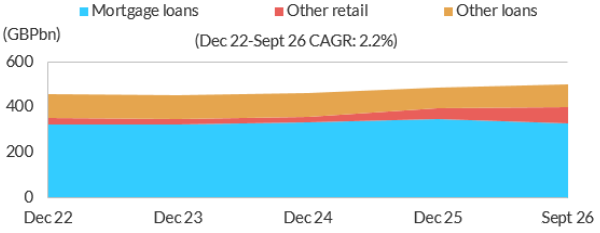
LBG's provision in relation to the pending compensation scheme against historical motor finance commissions remained unchanged at GBP1.95 billion, with no additional charges recognised in 9M26. Regulatory uncertainty remains, however, as parts of the FCA's motor finance redress scheme remain suspended pending four legal challenges, with the Upper Tribunal hearing now expected in February 2027 and redress payments unlikely to begin before 2027. We expect the group's solid pre-impairment operating profitability to comfortably absorb any further provisions which may be required.

Loan Growth



Source: Fitch Ratings, Fitch Solutions, LBG

Loan Book Breakdown



CAGR: compound annual growth rate
Source: Fitch Ratings, Fitch Solutions, LBG

Financial Profile

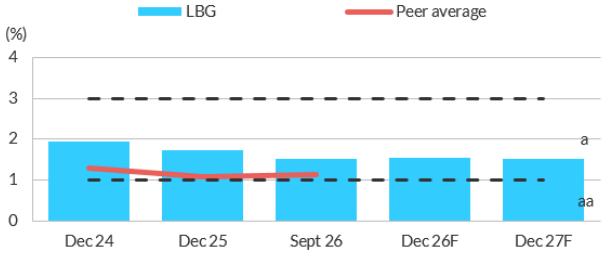
Asset Quality

LBG's loan book is concentrated in the UK, but is fairly diversified by customer segment. Asset quality has proven resilient to both slow economic growth and higher interest rates in recent years. Loan performance across portfolios was strong in 9M26, with the Stage 2 loans ratio falling to 8.7% of gross loans at end-3Q26 (end-2025: 9.4%), reflecting the securitisation of GBP1.8 billion of primarily legacy mortgages and continued strong credit performance.

LBG's impaired loans ratio declined to 1.5% at end-3Q26 (2025: 1.7%). The ratio remains higher than that at some large UK peers partly due to legacy Stage 3 purchased or originated credit-impaired loans resulting from the HBOS acquisition, which are not reflective of LBG's current risk appetite and underwriting standards. Fitch expects asset quality to remain strong over the next two years, supported by the group's predominantly secured lending book and our expectation for continued progress in problem loan recoveries. LBG's unsecured and commercial loans are relatively more vulnerable to a weaker operating environment, but conservative underwriting standards together with a largely prime borrower base in unsecured lending should continue to support performance.

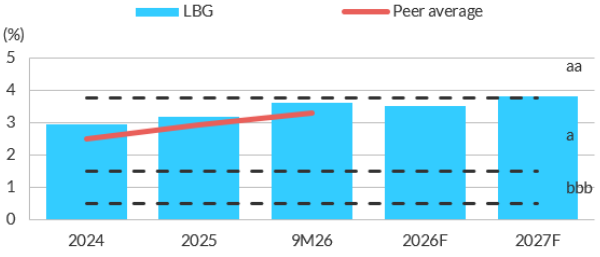
The loan impairment charges/average gross loans ratio increased to 25bp in 9M26 (2025: 18bp), reflecting a higher charge from updated macroeconomic scenarios linked to a weaker economic outlook following the Middle East conflict as well as retail model updates, a more normalised level of impairments and balance sheet growth. We expect loan impairment charges to be between 25bp and 30bp in 2026-2028, which should be easily absorbable for LBG given its strong earnings generation.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

LBG's resilient earnings record through the cycle compares favourably with peers'. Operating profitability improved to 3.6% of RWAs in 9M26 (2025: 3.2%), supported by year-on-year (yoy) net interest income (NII) and non-NII income growth. NII benefitted from the reinvestment of maturing structural hedges at higher rates and continued loan growth. Cost growth reflected inflationary pressures and business expansion, although strategic investment spend is plateauing as the current strategic cycle matures. The increase in costs and impairment charges was more than offset by higher NII and non-NII, however.

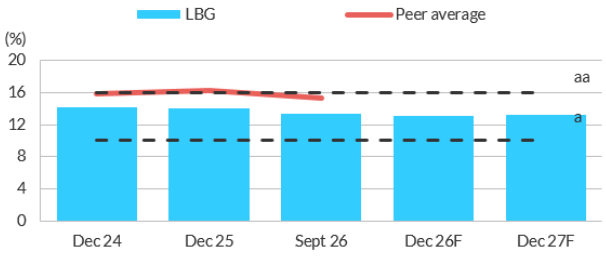
We expect structural hedge income and loan growth to continue to support profitability over the next two years. The net interest margin is likely to improve further as we expect a growing structural hedge contribution to more than offset pressures from deposit migration and tight asset margins. We expect non-NII income to increase, supported by the group's strategic focus on revenue diversification, while loan impairment charges and operating costs should remain contained.

Capitalisation and Leverage

LBG's capitalisation is underpinned by the bank's sound ability to generate profits, a loan book dominated by lower-risk mortgage loans with contained through-the-cycle loan impairment charges and RWA density that is comparable to peers'. LBG's management expects Basel 3.1 to result in a GBP6 billion-GBP8 billion reduction in RWAs upon implementation on 1 January 2027. Thereafter, RWAs are expected to increase broadly in line with lending growth, with modest RWA density inflation driven by operational risk and equity investment exposures.

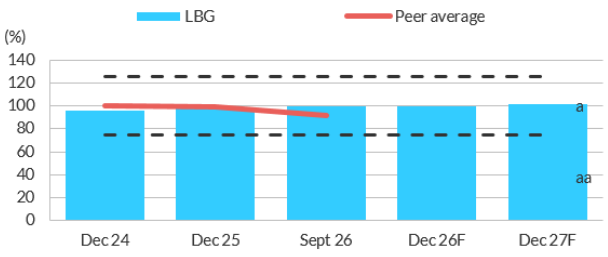
LBG's pro-forma CET1 ratio was 13.3% at end-3Q26 (end-2025: 13.2%), reflecting strong capital generation of 153bp in 9M26, largely offset by shareholder distributions, the announced share buyback and lending-driven RWA growth. The ratio remains comfortably above the group's regulatory CET1 requirement of about 12%, while the UK leverage ratio of 5.0% (4.7% including central bank claims) is solid. LBG continues to use capital optimisation measures, including risk-transfer and securitisation transactions, to manage RWA growth. The group remains committed to ordinary dividends and excess capital distributions, while maintaining a CET1 ratio of about 13% through 2030.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

LBG's funding is stable, supported by leading market shares in current accounts and savings products. The gross loans/deposits ratio deteriorated slightly yoy to 99% in 9M26 as deposits grew more slowly than loans. However, the ratio is still significantly below its pre-pandemic level (end-2019: 108%). Retail deposits declined by GBP3.7 billion, largely reflecting decreases in savings deposits, while commercial banking deposits increased by GBP9.6 billion.

LBG has had solid wholesale funding access and is a regular issuer across different instruments and currencies. Its wholesale funding maturities are well-spread. Bank of England Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises (TFSME) volumes declined substantially from previous years and stood at GBP9 billion at end-3Q26, corresponding to around 1% of total funding, with remaining maturities in 2027 and beyond incorporated into group's issuance plans.

Liquidity is well-managed and robust, supported by a large pool of high-quality liquid assets (end-3Q26: GBP129 billion; 26% of customer deposits), a significant proportion of which are in the form of cash and cash equivalents or high-quality government bonds. GBP97 billion of available borrowing capacity at central banks provides additional support.

Additional Notes on Charts

Black dashed lines represent boundaries for indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category. Peer average includes NatWest Group plc, Santander UK Group Holdings plc, Nationwide Building Society. The latest data available for Nationwide Building Society is for FY26. Unless otherwise stated, financial year (FY) end is 31 December for all banks in this report. The financial year-end for Nationwide Building Society is 31 March.

Financials

Financial Statements

	31 Dec 23 12 months (GBPm)	31 Dec 24 12 months (GBPm)	31 Dec 25 12 months (GBPm)	30 Sep 26 9 months (GBPm)	31 Dec 26F 12 months (GBPm)	31 Dec 27F 12 months (GBPm)
Summary income statement						
Net interest and dividend income	13,298	12,277	13,230	10,827	—	—
Net fees and commissions	1,831	1,759	1,784	—	—	—
Other operating income	4,069	4,558	5,059	5,257		
Total operating income	19,198	18,594	20,073	16,084	21,906	23,219
Operating costs	10,778	11,502	11,783	8,482	11,830	12,137
Pre-impairment operating profit	8,420	7,092	8,290	7,602	10,076	11,081
Loan and other impairment charges	313	440	793	926	1,260	1,269
Operating profit	8,107	6,652	7,497	6,676	8,816	9,812
Other non-operating items (net)	-604	-681	-836	-51	—	—
Tax	1,985	1,494	1,904	1,790	—	—
Net income	5,518	4,477	4,757	4,835	6,296	7,008

Other comprehensive income	110	-635	1,328	—	—	—
Fitch comprehensive income	5,628	3,842	6,085	4,835	—	—
Summary balance sheet						
Assets						
Gross loans	453,485	463,669	485,095	498,551	504,707	523,466
– of which impaired	10,110	9,021	8,349	7,622	—	—
Loan loss allowances	3,717	3,191	3,011	3,241	—	—
Net loans	449,768	460,478	482,084	495,310	—	—
Interbank	10,764	7,900	7,236	—	—	—
Derivatives	22,356	24,065	19,727	23,732	—	—
Other securities and earning assets	294,450	314,259	345,961	376,977	—	—
Total earning assets	777,338	806,702	855,008	896,019	—	—
Cash and due from banks	78,110	62,705	56,661	55,919	—	—
Other assets	26,005	37,290	32,403	43,202	—	—
Total assets	881,453	906,697	944,072	995,140	987,602	1,035,692
Liabilities						
Customer deposits	471,396	482,745	496,457	502,777	504,400	518,019
Interbank and other short-term funding	82,013	78,348	89,213	54,254	—	—
Other long-term funding	70,544	71,129	68,711	133,333	—	—
Trading liabilities and derivatives	21,723	24,093	18,088	21,481	—	—
Total funding and derivatives	645,676	656,315	672,469	711,845	—	—
Other liabilities	187,946	203,936	223,193	237,324	—	—
Preference shares and hybrid capital	7,406	6,753	6,490	5,600	—	—
Total equity	40,425	39,693	41,920	40,371	—	—
Total liabilities and equity	881,453	906,697	944,072	995,140	—	—
Exchange rate	USD1= GBP0.7898	USD1= GBP0.7971	USD1= GBP0.7432	USD1= GBP0.7524	—	—

Source: Fitch Ratings, Fitch Solutions, LBG

Key Ratios

Ratios (%; annualised as appropriate)	31 Dec 23	31 Dec 24	31 Dec 25	30 Sep 26	31 Dec 26F	31 Dec 27F
Profitability						
Operating profit/risk-weighted assets	3.7	3.0	3.2	3.6	3.5	3.8
Net interest income/average earning assets	1.8	1.6	1.6	1.7	1.7	1.8
Non-interest expense/gross revenue	56.1	61.9	58.7	52.7	54.0	52.3
Net income/average equity	13.4	11.2	11.7	15.5	—	—-
Asset quality						
Impaired loans ratio	2.2	2.0	1.7	1.5	1.5	1.5
Growth in gross loans	-1.3	2.3	4.6	2.8	4.0	3.7

Loan loss allowances/impaired loans	36.8	35.4	36.1	42.5	41.9	42.8
Loan impairment charges/average gross loans	0.1	0.1	0.2	0.3	0.3	0.3
Capitalisation						
Common equity Tier 1 ratio	14.6	14.2	14.0	13.3	13.1	13.2
Fully loaded common equity Tier 1 ratio	14.5	14.2	—	—	—	—
Fitch Core Capital ratio	—	—	—	—	—	—
Tangible common equity/tangible assets	3.2	3.0	3.1	4.1	—	—
Basel leverage ratio	5.2	5.1	5.0	4.7	—	—
Net impaired loans/common equity Tier 1	20.0	18.2	16.2	13.3	—	—
Net impaired loans/Fitch Core Capital	—	—	—	—	—	—
Funding and liquidity						
Gross loans/customer deposits	96.2	96.1	97.7	99.2	100.1	101.1
Gross loans/customer deposits + covered bonds	93.4	93.8	95.5	—	—	—
Liquidity coverage ratio	142.0	146.0	145.0	143.0	—	—
Customer deposits/total non-equity funding	74.5	75.3	74.9	72.2	—	—
Net stable funding ratio	130.0	129.0	124.0	123.0	—	—

Source: Fitch Ratings, Fitch Solutions, LBG

Support Assessment

Government Support

Sovereign		United Kingdom
Sovereign Long-Term Issuer Default Rating	•	AA-/Stable
Total adjustment (notches)		—
Typical D-SIB Government Support for sovereign's rating level		a or a-
Actual jurisdiction D-SIB Government Support		ns
Government Support Rating		ns
Government ability to support D-SIBs		
Size of banking system	•	Negative
Structure of banking system	•	Negative
Sovereign financial flexibility (for rating level)	•	Positive
Government propensity to support D-SIBs		
Resolution legislation	•	Negative
Support stance	•	Negative
Government propensity to support bank		
Systemic importance	•	Neutral
Liability structure	•	Neutral
Ownership	•	Neutral

The colours below indicate the influence of each support factor in our assessment. Influence: Dark blue = neutral; Red = higher

Source: Fitch Ratings

The Government Support Ratings (GSRs) of 'no support' (ns) for LBG, LB and BOS reflect Fitch's view that senior creditors cannot rely on extraordinary support from the UK authorities if these issuers become non-viable, due to UK legislation and regulations that provide a framework requiring senior creditors to participate in losses following a failure.

Subsidiaries and Affiliates

Rating Level	LBG	LB	BOS	HBOS	LBCM	LBCMW	LGmbH
Long-Term IDR/Outlook	A+/Stable	AA/Stable	AA/Stable	AA/Stable	AA/Stable	AA/Stable	AA/Stable
Short-Term IDR	F1	F1+	F1+	F1+	F1+	F1+	F1+
VR	a+	a+	a+	—	—	—	—
GSR/SSR	ns	ns	ns	a+	a+	aa	aa
DCR	—	AA(dcr)	AA(dcr)	—	AA(dcr)	—	—

LB, BOS, HBOS and Lloyds Bank GmbH (LGmbH) are the ring-fenced entities of the group; LBCM and Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH (LBCMW) are the group's non-ring-fenced entities.
SSR: Shareholder Support Rating
Source: Fitch Ratings

Lloyds Bank plc (LB)

LB is an operating bank within LBG's ring-fenced bank (RFB) subgroup. It provides retail and commercial banking services, including deposits, mortgages, consumer lending and services to commercial customers.

Bank of Scotland plc (BOS)

BOS is an operating bank within LBG's RFB subgroup. It provides retail and commercial banking services, including deposits, mortgages and consumer lending, as well as lending and other services to commercial and corporate customers.

HBOS plc

HBOS is an intermediate holding company within LBG's RFB subgroup, principally holding BOS.

Lloyds Bank GmbH

LGmbH is part of LBG's RFB subgroup and operates a largely online retail banking model in continental Europe. It primarily raises retail savings deposits in Germany, which fund a predominantly residential mortgage portfolio in the Netherlands.

Lloyds Bank Corporate Markets plc (LBCM)

LBCM is LBG's non-ring-fenced bank (NRFB), providing banking and financial services primarily to corporate and institutional customers in the UK and internationally.

Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH (LBCMW)

LBCMW is LBCM's German subsidiary. It supports the group's banking and financial-services activities in continental Europe.

The IDRs of HBOS plc and LBCM are based on support from LBG. Their 'a+' Shareholder Support Ratings (SSRs) are aligned with LBG's Long-Term IDR and reflect Fitch's view that these entities would benefit from a very high probability of support from LBG, given their core roles in the group, and that support would be manageable relative to LBG's financial resources. We believe a default by one of these entities would cause serious reputational damage to the group.

HBOS's and LBCM's Long-Term IDRs and LBCM's long-term senior debt ratings, DCR and long-term deposit ratings are rated two notches above their SSRs, as we believe these entities will benefit from the group's very large resolution debt buffer and the down-streaming of the internal buffer that protects the subsidiaries' external creditors.

Tier 2 debt issued by HBOS is rated two notches below LBG's VR. This is the baseline notching under our criteria, reflecting high loss severity for this type of debt.

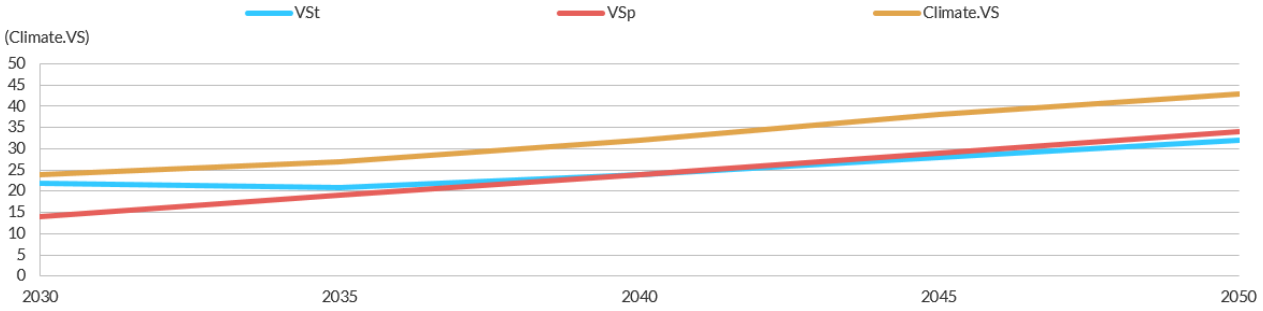
The IDRs of Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH (LBCMW) and Lloyds Bank GmbH (LGmbH) reflect a very high probability of support from their direct parents, LBCM and LB, respectively. The 'aa' SSRs are equalised with their direct parents' Long-Term IDRs to reflect Fitch's view that their senior creditors will benefit from the protection of their parents' very large resolution debt buffer. The SSRs also reflect the subsidiaries' roles in LBG.

Climate Vulnerability Considerations

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify issuers whose credit profiles have a higher potential exposure to climate-related risks, and to subject those ratings to additional analysis and consideration in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk).

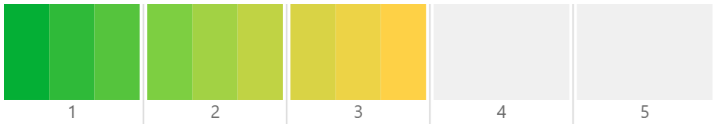
The Climate.VS for entity X for 2035 is 28, which indicates that climate risk factors are not expected to materially affect the credit profile, but some adaptation may be needed. This reflects a transition risk (VSt) component signal of 22 and a physical risk (VSp) component signal of 19. Any potential effect on the rating may differ from the illustrative rating impact in the Climate.VS framework.

Climate Vulnerability Signals for Lloyds Banking Group plc



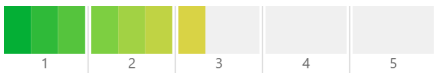
Source: Fitch Ratings

Environmental, Social and Governance Considerations



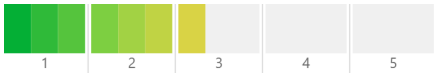
Environmental Relevance Scores

General issues	Score	Sector-specific issues	Reference
GHG Emissions & Air Quality	3	Regulatory risks, emissions fines or compliance costs related to owned, financed or managed assets, which could impact asset prices, profitability, etc.	Operating Environment; Business Profile; Risk Profile; Asset Quality
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile; Risk Profile; Asset Quality



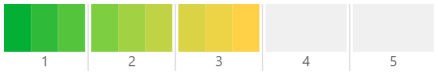
Social Relevance Scores

General issues	Score	Sector-specific issues	Reference
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile; Risk Profile
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile; Risk Profile
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile; Financial Profile



Governance Relevance Scores

General issues	Score	Sector-specific issues	Reference
Management Strategy	3	Operational implementation of strategy	Business Profile
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile; Earnings & Profitability; Capitalisation & Leverage
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile



ESG Scoring	Credit-Relevant ESG Scale	
ESG relevance scores range from '1' to '5' based on a 15-level colour gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant. The Environmental (E), Social (S) and Governance (G) tables break out the general and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signalling the credit relevance of the sector-specific issues to an issuer's overall credit rating. The Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The panels underneath the relevance scores tables are visualisations of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The Score columns summarise rating relevance and impact to credit from ESG issues. The column on the far left identifies any ESG relevance sub-factor issues that are drivers or potential drivers of an issuer's credit rating (corresponding with scores of '3', '4' or '5'). All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact. Classification of ESG issues has been developed from Fitch's sector ratings criteria. The general and sector-specific issues draw on the classification standards published by the UN Principles for Responsible Investing, the Sustainability Accounting Standards Board and the World Bank.	5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to 'Higher' relative importance within the Navigator.
	4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to 'Moderate' relative importance within the Navigator.
	3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to 'Lower' relative importance within the Navigator.
	2	Irrelevant to the entity rating but relevant to the sector.
	1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

Ratings

Foreign Currency	
Long-Term IDR	A+
Short-Term IDR	F1
Viability Rating	a+
Government Support Rating	ns
Sovereign Risk (United Kingdom)	
Long-Term Foreign-Currency IDR	AA-
Long-Term Local-Currency IDR	AA-
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

ESG and Climate

Highest ESG Relevance Scores	
Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH	
Environmental	2
Social	3
Governance	3
Lloyds Bank plc	
Environmental	2
Social	3
Governance	3
HBOS plc	
Environmental	2
Social	3
Governance	3
Lloyds Bank GmbH	
Environmental	2
Social	3
Governance	3
Lloyds Banking Group plc	
Environmental	2
Social	3
Governance	3
Lloyds Bank Corporate Markets plc	
Environmental	2
Social	3
Governance	3
Bank of Scotland Plc	
Environmental	2
Social	3
Governance	3

Climate Vulnerability	
2035 Climate Vulnerability Signal	28
Transition (VSt)	22
Physical (VSp)	19

Applicable Criteria

Bank Rating Criteria (May 2026)

Related Research

Fitch Affirms Lloyds Banking Group at 'A+'; Stable Outlook (November 2026)
Large European Banks Resilient to Economic Uncertainty (September 2026)
Lloyds Banking Group Focuses on Existing Strengths in Strategic Plan (August 2026)
Fitch Affirms United Kingdom at 'AA-'; Outlook Stable (August 2026)
Global Economic Outlook - September 2026

Analysts

Christian Scarafia
+44 20 3530 1012
christian.scarafia@fitchratings.com

Maria Shishkina
+44 20 3530 1379
maria.shishkina@fitchratings.com

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

FORECAST DISCLAIMER FOR FINANCIAL INSTITUTIONS

Any forecast(s) in this report reflect Fitch's forward view on the issuer's financial metrics. They are constructed using a proprietary internal forecasting tool and based on a combination of Fitch's own performance assumptions, macroeconomic forecasts, sector-level outlook and issuer-specific considerations. As a result, Fitch's forecasts may differ materially from the rated entity's forecasts or guidance and may not reflect the assumptions that other market participants may make. To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch may not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Fitch may update the forecasts in future reports but assumes no responsibility to do so. Original financial statement data for historical periods may be processed by affiliates of Fitch, together with certain outsourcing services. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by its employees.

Fitch's forecasts are one component used by the agency to assign a rating or determine an Outlook. The information in the forecasts reflects material but not exhaustive elements of Fitch's rating assumptions for the issuer's financial performance. It cannot be used to establish a rating, and it should not be relied on for that purpose.

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: https://www.fitchratings.com/understandingcreditratings. In addition, the following https://www.fitchratings.com/rating-definitions-document details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at https://www.fitchratings.com/site/regulatory. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third- party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see https://www.fitchratings.com/site/regulatory), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

Copyright © 2026 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.