Lloyds Banking Group PLC

June 24, 2025

Primary contact

William Edwards
London
44-20-7176-3359
william.edwards
@spglobal.com

Secondary contact

Richard Barnes
London
44-20-7176-7227
richard.barnes
@spglobal.com

This report does not constitute a rating action.

Ratings Score Snapshot

SACP: a- → **Support: +2** → **Additional factors: 0**

SACP: a-		
Anchor	bbb+	
Business position	Strong	+1
Capital and earnings	Adequate	0
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

Support: +2	
ALAC support	+2
GRE support	0
Group support	0
Sovereign support	0

Additional factors: 0
Issuer credit rating
A+/Stable/A-1
Resolution counterparty rating
AA-/A-1+
Holding company ICR
BBB+/Stable/A-2

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Market-leading U.K. retail banking franchise.	Muted macroeconomic conditions in the U.K. will dampen loan book growth and squeeze borrowers' credit quality.
Strong earnings provide financial flexibility.	Narrow geographical focus on the U.K.
Supportive funding and liquidity profiles.	

Lloyds Banking Group PLC's (Lloyds') deep and broad U.K. financial services franchise underpins the rating. Lloyds' solid strategic position stems from its market-leading franchise in the U.K. It has a dominant mortgage business and strong market share across credit cards, unsecured lending, and commercial banking. The absence of meaningful international diversification remains a constraining factor in our relative view of the group's business position.

The group's performance has been robust, and its outlook is strengthening. Lloyds has performed well under its five-year strategic plan, delivering a return on tangible equity of 14.0% in 2024, excluding the provision to cover potential remediation costs linked to historic motor finance commissions. We expect returns to strengthen through to 2027, as the impact of the bank's structural hedge kicks in. This should propel return on tangible equity comfortably above 15%. This level of performance would place its risk-adjusted returns among the highest in Europe over the next 36 months.

We expect Lloyds to be well insulated from international trade volatility. The bank adjusted its provisions by £100 million to account for the widespread fallout of the U.S. administration's tariff policy. Beyond this, the bank's mortgage-dominated balance sheet experienced contained credit losses. We expect this trend to continue with a steady flow of assets into non-performance, commensurate with an impairment rate in line with the bank's long run average of 20 basis points (bps)-30 bps of lending.

The bank remains sensitive to decline in U.K. interest rates. A rapid fall in short-term interest rates to stimulate the economy--which is set to barely expand this year--could dampen upside in our base case. This would materialize through lower net interest income (NII) in the later years of our forecast.

A sound funding and liquidity profile benefits the group. This is built on Lloyds' leading U.K. retail deposit depth and stability, a deposit-funded business banking franchise, and minimal wholesale funding needs outside of its focused market making and trading balance sheet.

We think Lloyds and its motor finance peers (including Barclays and Santander UK) are likely to face remediation requirements related to the Financial Conduct Authority (FCA) review of discretionary commissions. Lloyds created a provision of £450 million related to the FCA review in its 2023 results, topping this up by £700 million in the fourth quarter of 2024--a manageable but meaningful hit to its reported pre-tax earnings of £7.2 billion before accounting for provisions and other one-off items. We believe that Lloyds will be able to absorb any further charges related to motor finance commissions at the current rating level.

Outlook

The stable outlook reflects our view that Lloyds' solid capitalization and strong competitive position in the U.K. market underpin the rating. We expect that the bank's solid and improving profitability will continue to support adequate capital buffers, while its prudent provisioning policies will continue to protect against potential asset quality deterioration.

Downside scenario

We could lower the ratings if economic and geopolitical challenges triggered significantly higher credit losses than we assume and weakened Lloyds' business performance and capital levels.

Upside scenario

We could consider raising the ratings if Lloyds translates its deep U.K. franchise into peer-leading earnings in the next 24 months--at least in line with higher-rated European and global peers. Progress toward a more diversified earnings base would also help. A higher rating would also rely on Lloyds maintaining its risk management and capital discipline, and sustaining its broad, deep, and flexible deposit funding base.

Though not envisaged at this point, given that the bank aims to reduce its common equity Tier 1 (CET1) capital, we could consider upgrading Lloyds if our view of its risk-adjusted capital (RAC) position were to strengthen and remain above 10%.

Lloyds Bank PLC

In the event we raised the ratings on the nonoperating holding company (NOHC), by raising the group stand-alone credit profile (SACP) to 'a' from 'a-', it is unlikely that we would raise ratings on the operating banks led by Lloyds Bank PLC. This is because, given the elevated rating, we would apply a maximum one-notch uplift for additional loss-absorbing capacity (ALAC), compared with two notches currently.

If we revised down the group SACP, then we would lower the ratings on the operating banks.

Key Metrics

Lloyds Banking Group PLC--Key ratios and forecasts

	--Fiscal year ended Dec. 31--				
(%)	2023a	2024a	2025f	2026f	2027f
Growth in operating revenue	6.1	(2.3)	3.6-4.4	6.1-7.5	3.8-4.6
Growth in customer loans	(1.2)	2.1	1.8-2.2	1.8-2.2	1.9-2.3
Growth in total assets	0.9	2.9	0.9-1.1	0.9-1.1	1.0-1.2
Net interest income/average earning assets (NIM)	2.3	2.1	2.2-2.4	2.3-2.6	2.4-2.6
Cost-to-income ratio	54.8	59.7	56.8-59.7	54.0-56.8	52.9-55.6
Return on average common equity	12.6	9.8	10.5-11.6	12.7-14.1	13.5-14.9
Return on assets	0.8	0.6	0.6-0.8	0.7-0.9	0.8-0.9
New loan loss provisions/average customer loans	0.1	0.1	0.2-0.2	0.2-0.3	0.3-0.3
Gross nonperforming assets/customer loans	2.2	1.9	1.9-2.1	2.0-2.2	2.0-2.2
Net charge-offs/average customer loans	0.2	0.2	0.3-0.3	0.3-0.3	0.3-0.3
Risk-adjusted capital ratio	9.7	9.5	9.4-9.9	9.3-9.8	9.3-9.8

All figures include S&P Global Ratings' adjustments. a--Actual. f--Forecast. NIM--Net interest margin.

Anchor: 'bbb+', Reflecting Lloyds' Strong Domestic Focus

We use our Banking Industry Country Risk Assessment economic risk and industry risk scores to determine the anchor. The 'bbb+' anchor reflects the geographic mix of Lloyds' total credit exposure. Given its concentration in the U.K., this leads to a weighted-average economic risk score of '4'.

The U.K. economy remains subdued, characterized by slow-to-no growth and sticky inflation. As growth remains low, we expect that inflation will ease as the tight labor market slackens. We forecast that the Bank of England (BoE) will continue cutting rates as inflation risks ease. Low unemployment contained, stable house prices in 2025 and 2026, and contained corporate asset quality are creating additional breathing room for banks against the muted macroeconomic backdrop, and this underpins the stable economic risk trend.

The industry risk trend is also stable. The U.K. banking system benefits from a well-developed regulatory framework. Elevated, if falling, rates, combined with controlled costs and subdued impairments in the past 24 months, mean that banks' earnings were strong in 2023 and 2024. Even as global economic uncertainty persists, elevated rates and significant balance sheet hedging will underpin banking earnings in 2025, supported by stable operating costs and an affordable uptick in credit losses. Given stable funding and liquidity positions, with manageable wholesale funding needs, U.K. banks demonstrate material financial flexibility.

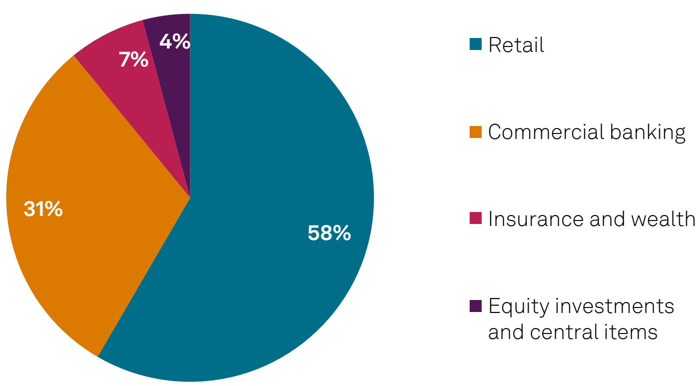
Business Position: Leading U.K. Franchise

We assess Lloyds' business position as strong. Our favorable view of Lloyds' business position is based on the group's market-leading position in U.K. retail banking and complementary activities in domestic commercial banking and insurance (see chart 1).

Chart 1

Lloyds' revenue profile is retail-focused

Reported net income by division in 2024



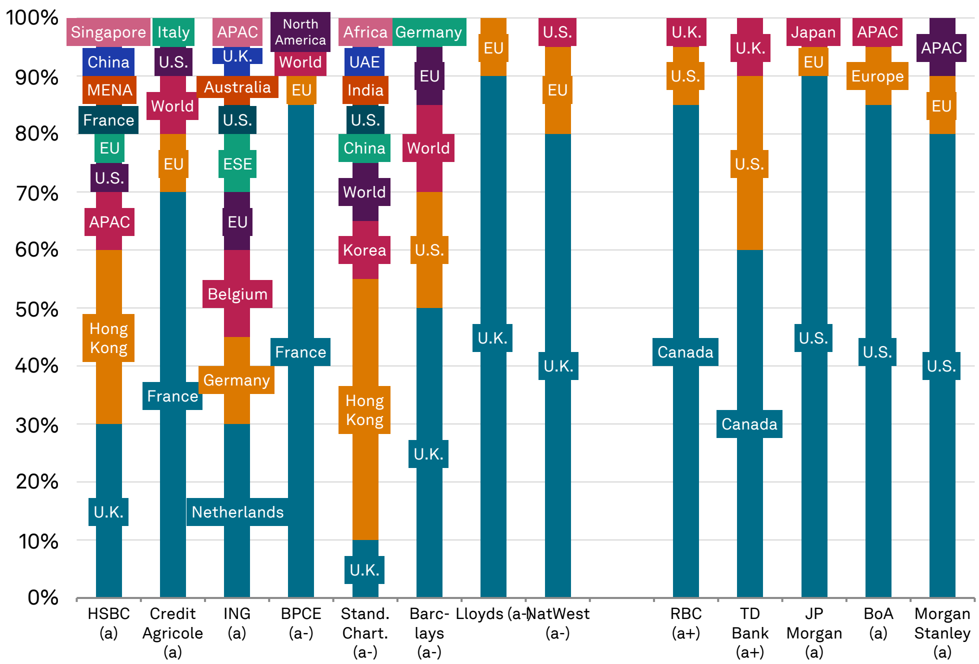
Note: Reported net income comprises net interest income plus other income less operating lease depreciation. Sources: Company disclosures, S&P Global Ratings.

The bank operates an integrated multichannel model that includes well-known brands and businesses such as Lloyds Bank PLC, Bank of Scotland PLC, Halifax, and MBNA in retail and commercial banking; Scottish Widows in insurance; and Lloyds Bank Corporate Markets PLC, a non-ring-fenced bank of the group.

The absence of meaningful international diversification remains a constraining factor in our view of the group relative to its more diversified peers. That said, the group's large and diversified balance sheet stacks up well next to similar universal service, national champion banks in Europe like Credit Agricole, CaixaBank, or Unicredit. These peers are all deeply diversified across retail and commercial lending but demonstrate materially better domestic concentration than Lloyds (see chart 2).

Chart 2

Lloyds is less geographically diversified than higher rated global peers
Economic risk exposure mix of Lloyds' rated global peers



Source: S&P Global Ratings.

Lloyds' disciplined strategy has deepened its franchise and laid solid ground for future growth. The group's five-year strategy, ending in 2026, focuses on selective growth to diversify the bank's revenue, discipline in its cost and capital efficiency, and transformation of the bank's technology and digital strategy.

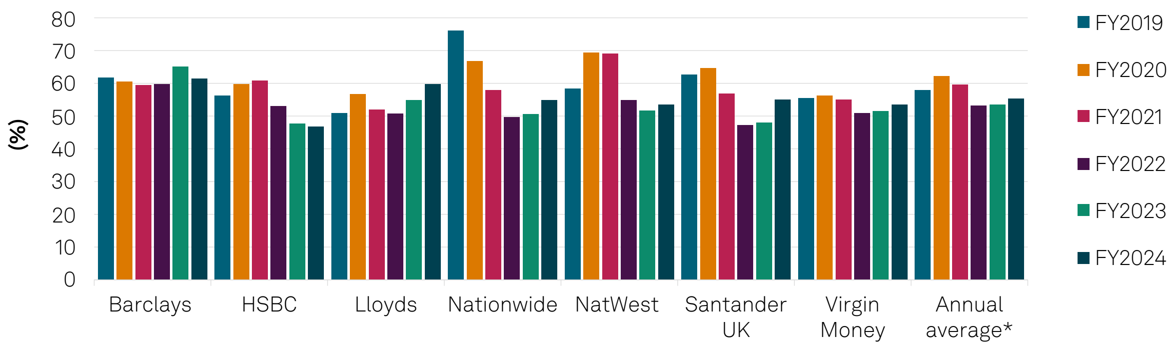
A dominant retail franchise drives performance, with disciplined and focused commercial and institutional banking services providing stability. We believe this footprint offers the bank a clear runway for growth. For instance, its mass affluent retail banking business has expanded robustly since 2021, attracting £25 billion of profitable and stable product balances through to end-2024. We expect this growth to continue. At the same time, its institutional bank has continued to penetrate further into its customer base, expanding product coverage while keeping its risk-weighted asset exposure under tight control. This organic growth is essential for the bank to achieve returns--above those from the structural dynamics arising from its balance sheet hedging.

Lloyds has invested heavily in transforming its technology estate. This includes, among other measures, reducing legacy applications, moving most of its applications onto cloud services, and reducing the cost of change in the organization. These initiatives are central to Lloyds' medium term operating efficiency, with the bank maintaining its cost-to-income ratio around 50% across the rate cycle in our base case. Lloyds' efficiency was comfortably ahead of that of its peers prior to the increase in interest rates. This trend somewhat reversed as peers' rapid earnings growth on the back of interest rate rises outstripped that of Lloyds. Despite this convergence, we believe Lloyds' operating efficiency is robust (see chart 3).

Chart 3

Consistent operating efficiency is central to Lloyds' disciplined strategy

Cost to income ratio of major U.K. banks



*Nationwide Building Society and Virgin Money UK PLC do not report for the period to Dec. 31 format so are excluded from the full-year average. Data for Nationwide is as of Oct. 31, 2024 and Virgin Money is as of Sept. 30, 2024. Source: S&P Global Ratings.

The insurance business offers greater diversification than the offerings of U.K.-focused peers. The group's subsidiary Scottish Widows is a leading provider of life cover, pension, and investment products, and has materially expanded its position in the general insurance market--partly by realizing cross-selling opportunities in the mortgage business. This strategic link between the banking and insurance businesses is an important pillar of Lloyds' medium-term objective of building a "homes ecosystem" that deepens customer relationships and drives up non-interest income.

Lloyds' strategic diversification in the U.K. and tight efficiency will lead to earnings stability through the cycle, in our view. We believe the combination of Lloyds' focused lending and asset gathering franchise, tight efficiency, and a diversified deposit base give it a stable earnings foundation through rate and credit cycles in the U.K. This resilience and stability are central to our view on the rating.

Capital And Earnings: Solid Returns, High Shareholder Distributions, And Comfortable Surplus Capital

High organic earnings will offer Lloyds capital flexibility. The rising levels of profitability across our base case translate into a high cadence of capital return to shareholders. With selective expansion in lending, the bank's S&P Global Ratings RAC position remains at 9.25%-9.75%, a comfortable surplus. Lloyds, in our view, will sustain this excess capital even as its regulatory CET1 ratio tapers toward 13.0% by the end of 2026, from 13.5% as of March 31, 2025.

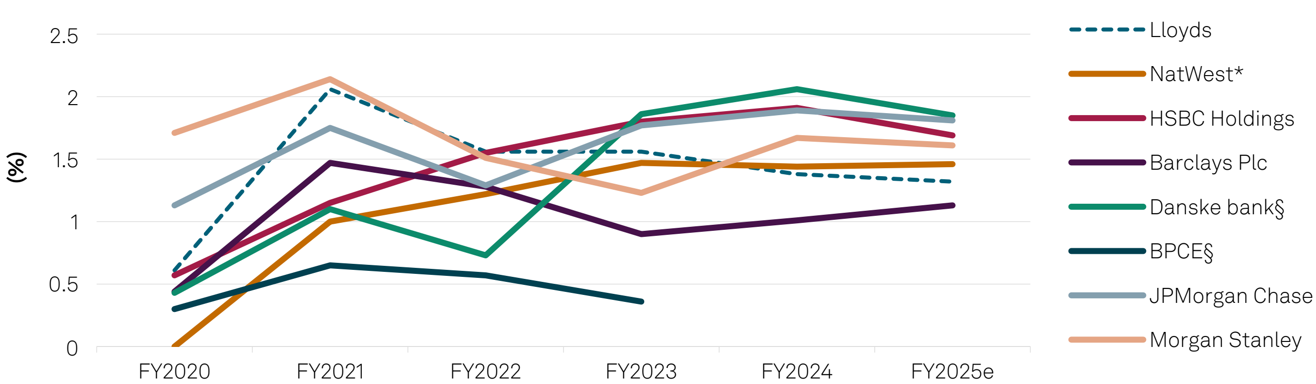
Lloyds' earnings outlook is supportive. We expect returns will strengthen through to 2027 as the impact of the bank's structural hedges kicks in. This hedging, based on the bank's granular and stable deposit base, should place its risk-adjusted returns among the highest in Europe over the next 36 months. To this end, Lloyds' performance was solid in first-quarter 2025. Its income rose by 3.5% versus the first quarter of 2024, led by rising NII and solid non-NII performance. This allowed the bank to bring forward severance costs and accelerate investment in its technology capability. At the same time, the bank adjusted its provisions by £100 million to account for the widespread fallout of the U.S. administration's tariff policy. These trends saw the bank's quarterly earnings rise strongly sequentially but fall versus the previous year.

Strong earnings support a comfortable capital position. The group's robust returns represent core capital generation of around 150 bps-160 bps of S&P Global Ratings-adjusted risk-weighted assets (RWAs) in 2026 and 2027, rising from around 140 bps this year. While the 2025 figure is at the lower end of the international cohort, Lloyds' performance in 2026 and 2027 is above that of most U.K. and European peers, and ahead of or in line with leading international universal service banks (see chart 4). We expect steady and selective lending growth, shareholder distributions, and small bolt-on acquisitions to consume almost all the excess capital the group generates.

Chart 4

Lloyds has a history of consistently good capital generation

Core earnings/ S&P RWA (before dividend)



S&P RWA--S&P Global Ratings risk-weighted assets. *NatWest core earnings/S&P RWA before diversificaiton is not meaningful for 2020 as it reported a loss during that period. §Actual data for 2024 not available. e--Estimate. Source: S&P Global Ratings.

Lloyds' regulatory capital is in a comfortable position. Lloyds' pro forma CET1 capital ratio was 13.5% as of March 31, 2025. This is in line with our expectations, compares well with the CET1 ratios of peers, and is consistent with management's 2026 target of paying dividends to reach a CET1 ratio of 13.0%. The end state represents a capital buffer of 270 bps above Lloyds' minimum distributable amount threshold. This, combined with significant capital generation, offers the bank financial flexibility, bolstering its robust rating position.

Risk Position: Risks Anchored To U.K. Residential Mortgage Portfolio

Lloyds' stable risk profile reflects the group's satisfactory asset quality track record and contained risk appetite. The group is inherently a less complex organization than some U.K. peers, aided by its operational simplification, limited international presence, focused capital markets activity, and effective risk management.

Asset quality is robust, but we expect a containable deterioration over 2025. The bank's asset quality has been solid in the post-pandemic era. Impairments represented 10 bps of average gross lending in 2024, and 7 bps in 2023. This was driven by stable asset quality in the mortgage book (exposure amounted to £317 billion in first-quarter 2025), where Lloyds has released provisions in the past 24 months. Further, its commercial lending book (£87.9 billion across business and institutional banking books) is narrow in scope and has realized minimal losses in 2023 and 2024. As a result, the bank's gross nonperforming assets to customer loans was below 2% in 2024, at 1.95%, as of Dec. 31, 2024. This remained at a broadly similar level in the first quarter of 2025.

Going forward, we expect losses will be contained, with a steady flow of assets into non-performance, commensurate with an impairment rate in line with the bank's long run average of 20 bps-30 bps of average lending. This will be tempered by a continued runoff in its legacy mortgage book as the bank continues to dispose of these assets, or else enter selective risk mitigation transactions. The legacy mortgage book has more than halved since 2020 and stood at £24 billion in 2024. Further risk transfer will bring down losses incrementally.

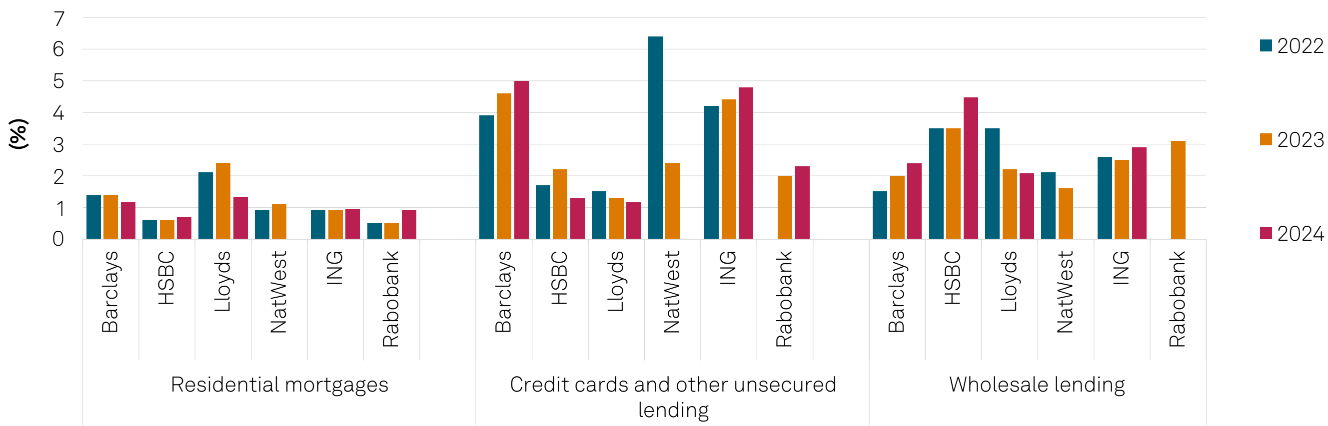
The low loan-to-value (LTV) profile of Lloyds' mortgage book gives it a cushion in the event of default. Like other U.K. mortgage lenders, Lloyds underwrites its lending to stressed affordability criteria. Even so, LTV for the group's secured retail book stood at 43.7% at year-end 2024. New lending had a slightly elevated LTV of 63.2%, with the proportion of lending with an LTV above 70% climbing to 25%, versus 24.2% at year-end 2023.

Lloyds has retained elevated provisions on its balance sheet. We view Lloyds' nonperforming assets in line with those of rated U.K. banks. Stage 3 loans and advances to customers totaled £9.0 billion at year-end 2024, down from £10.1 billion at the start of the year. Provisions on stage 3 assets covered a reported 15.8% of drawn stage 3 balances in the same period in 2024. This ratio is lower than that of some peers due to the group's focus on collateralized lending, and the material stock of low LTV retail lending in the bank's nonperforming assets. At the same time, stage 2 loans and advances to customers at year-end 2024 totaled £48 billion (down from a peak of £61 billion in 2022)--equivalent to 10.4% of gross customer loans. This tapering reflects the bank's view that the probability of default on its mortgage book has eased, particularly as inflationary pressures cool and consumers' financial position remains resilient (see charts 5 and 6).

Chart 5

Lloyds' asset quality metrics are similar to that of its U.K. and Western European peers...

Peer banks' gross stage 3 loans ratios by portfolio

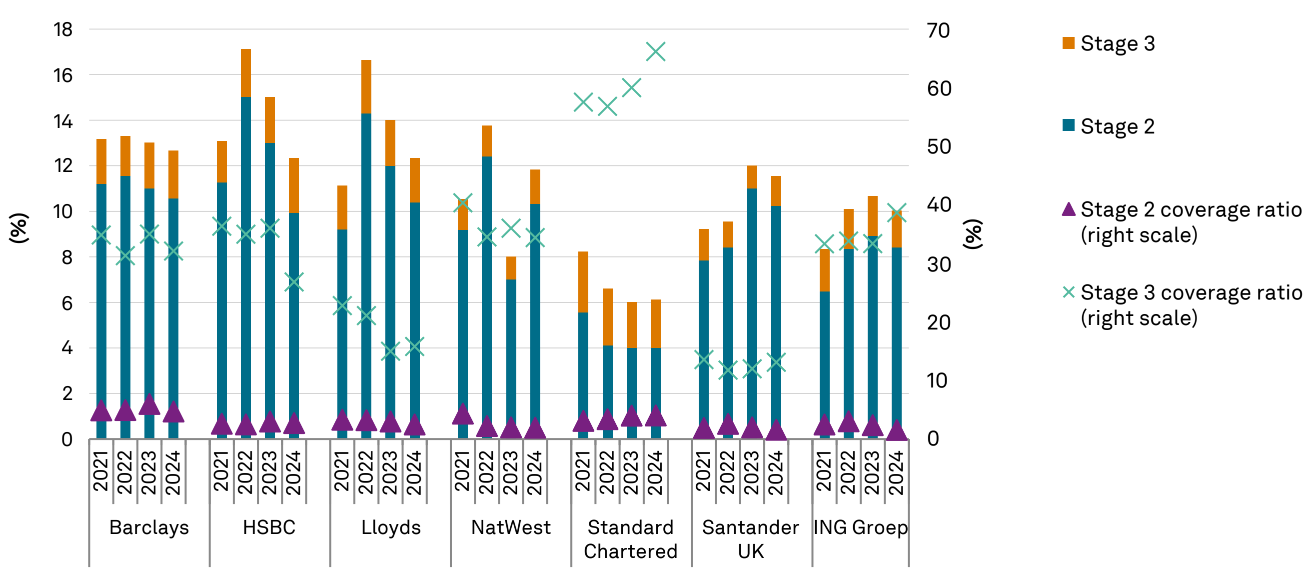


Sources: Company disclosures, S&P Global Ratings.

Chart 6

...and Lloyds' provisioning levels reflect its largely secured balance sheet

Stages 2 and 3 loans as percentages of total portfolio



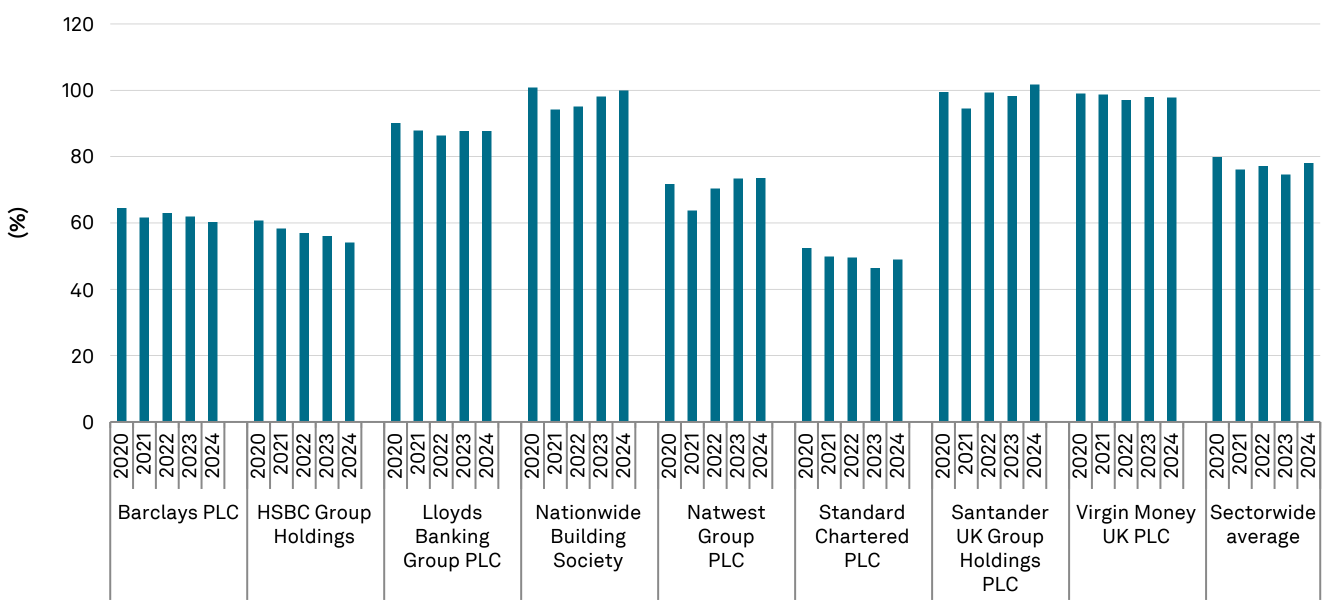
Sources: Company disclosures, S&P Global Ratings.

Funding And Liquidity: A Strong Deposit Franchise And Stable Funding Profile

Lloyds' balance sheet is underpinned by its strong deposit franchise and stable, diverse wholesale funding base. We regard Lloyds' funding and liquidity profile as broadly comparable with that of U.K. peers. The group's deposit base has expanded strongly since the pandemic, even if its loan-to-deposit ratio sits at the upper end of the universal banking peer set in the country. Lloyds reported a 95% loan-to-deposit ratio for full year 2024, ahead of the peer group average, but with a solid track record of material deposit accretion (see charts 7 and 8).

Chart 7

Lloyds' loan-to-deposit ratio is higher than that of most major U.K. banks
Total loans (net)/total deposits, 2020-2024

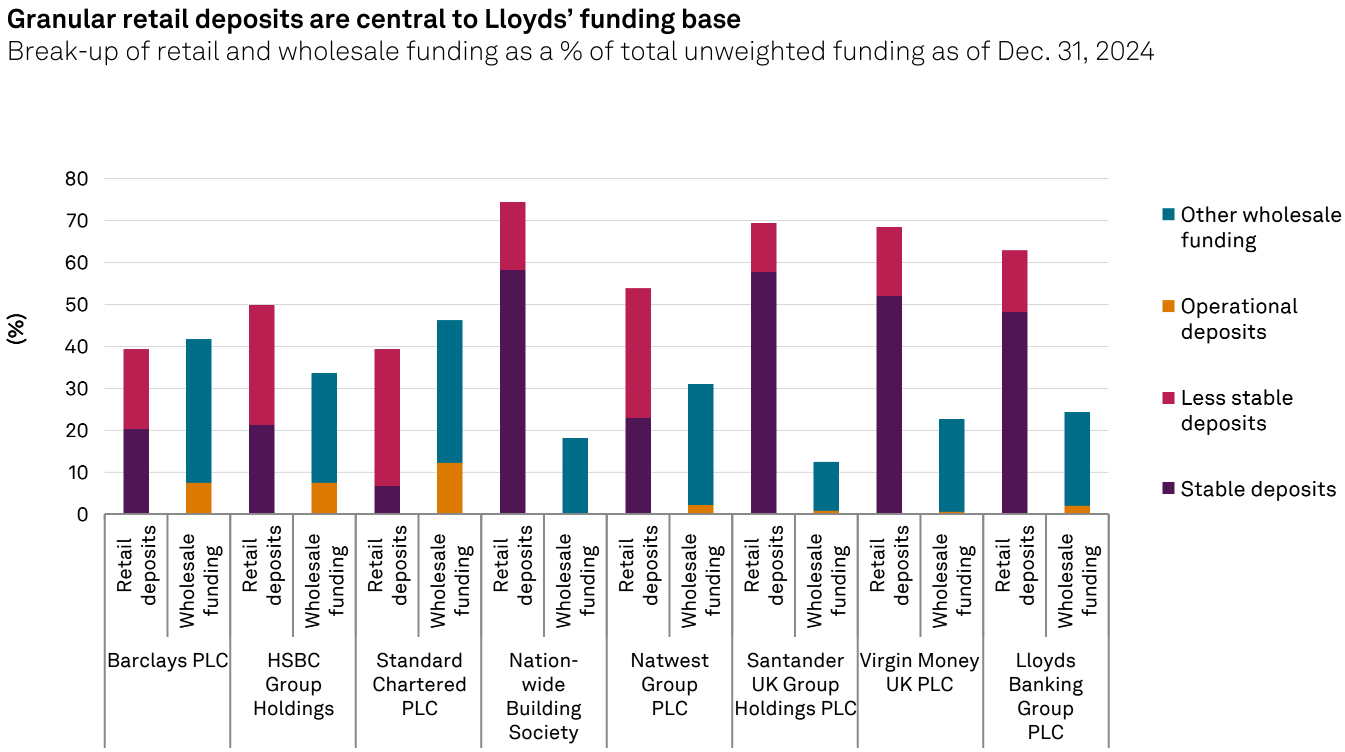


Source: S&P Global Ratings.

Lloyds' deposit base has increased in the past five years, with deposits rising by £30 billion over 2020-2024, by our measure. As a result, the group's deposits now represent 83% of its funding base, versus 76% in 2018--bolstering an already well-diversified and stable funding base (see chart 8).

Stable retail deposits anchor Lloyds' deposit funding. This is in line with its solid regulatory liquidity coverage ratio relative to U.K. peers. Stable retail deposits like these represent around 50% of short-term unsecured funding. Pure retail players like Nationwide had stable deposit bases that represented around 60% of their short-term unsecured funding base at year-end 2024.

Chart 8



Source: S&P Global Ratings.

Lloyds has healthy liquidity buffers. Its liquidity coverage ratio was 145% as of first-quarter 2025, well ahead of regulatory requirements. Its mortgage loan book also offers substantial secured access to the BoE's discount window in more strained conditions if needed.

Support: Large ALAC Buffer

We apply the standard 6% threshold for two notches of ALAC uplift. At year-end 2024, Lloyds' significant issuance of bail-in instruments, mainly holding company senior unsecured debt, had taken its ALAC ratio to over 9.5% and we expect it will decrease slightly but remain at a comfortable level of over 8.5% over the next two years. As such, the group credit profile (GCP) includes a two-notch uplift in respect of ALAC support. Lloyds' regulatory bail-in cushion--the minimum requirement for own funds and eligible liabilities (MREL)--was 30.4% as of March 31, 2025.

Comparable Ratings Analysis

Our stand-alone credit profile assessment of 'a-' for Lloyds balances its mounting financial strengths and its weaker diversification. Compared with stronger rated peers such as Credit Agricole, BPCE, and ING, Lloyds lacks broad regional and business model diversification. Even so, the bank's scale and profitability are solid; it runs a similarly deep retail and business deposit franchise and its lending is disciplined. We believe these strengths continue to support Lloyds' credit profile. As a result, our higher rating on Lloyds compares well with our ratings on other leading European national champion banks, such as Caixabank in Spain or Intesa Sanpaolo in Italy.

Environmental, Social, And Governance

We see Lloyds' exposure to environmental, social, and governance credit factors as broadly in line with that of the industry and its close peers in the U.K. Like its U.K. peers, the bank faces elevated conduct and legal risks in its core market. This stringent conduct environment means that Lloyds has incurred material charges related to legacy business practices--most recently related to determinations by the FCA and U.K. courts on the lawfulness of certain commissions paid to motor finance brokers by lenders. While the final remediation payable with respect to these commissions has yet to be determined, the provisions made in preparation for this have been absorbed financially, with the bank managing its shareholder distributions to maintain its capital position.

As a major U.K. commercial bank, Lloyds has made a series of environmental commitments, centered on reducing its emissions in line with limiting global warming to 1.5 degrees centigrade. Key objectives include:

- Bank-financed emissions to reduce by more than 50% by 2030 versus the 2018 baseline--on the path to net zero by 2050 or sooner;
- Align all of its insurance subsidiary's investments with the Paris Agreement, reaching net zero emissions by 2050 or sooner; and
- Achieve net zero carbon emissions in its operations by 2030.

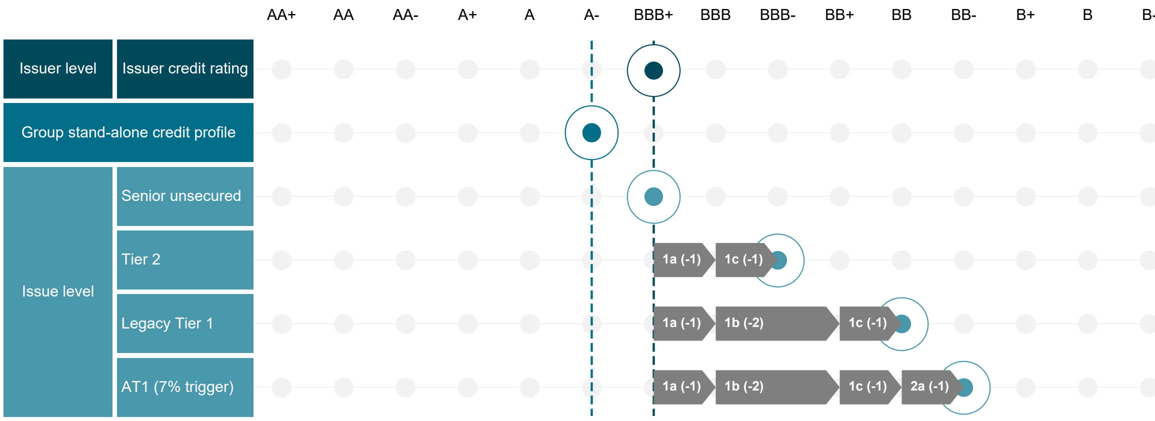
Furthermore, we believe that the group actively considers sustainability in its strategic planning, with sustainability factored into its divisions' medium-term objectives. Additionally, environmental risk is an important credit risk consideration in its lending activities, with material exposure to physical risk in its retail mortgage portfolio as well as potentially material impacts because of transition risk in the corporate lending portfolio.

Group Structure, Rated Subsidiaries, And Hybrids

Lloyds is the nonoperating holding company of the group that it heads, and the operating subsidiaries are organized in separate subgroups.

Like its major domestic peers, Lloyds has operated under the U.K. ring-fencing regime since 2019. We see the ring-fenced subgroup as core to Lloyds, and expect that regulators would intervene at the point of nonviability, bailing in junior liabilities and, if necessary, NOHC liabilities, to ensure that senior obligations are honored. Our ratings on these entities are therefore in line with the 'a+' ALAC-supported GCP. We consider it highly likely that the non-ring-fenced subgroup, Lloyds Bank Corporate Markets PLC, would also be supported through a bail-in-led resolution. However, we view this subgroup as highly strategic rather than a core entity because the non-ring-fenced operations are somewhat less diversified and less integral than those of the core ring-fenced entities.

Lloyds Banking Group PLC: NOHC notching



Key to notching

--- Issuer credit rating

--- Group stand-alone credit profile

1a	Contractual subordination
1b	Discretionary or mandatory nonpayment clause and whether the regulator classifies it as regulatory capital
1c	Mandatory contingent capital clause or equivalent
2a	Mandatory going-concern, regulatory capital-based trigger (either statutory or contractual)

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on March 2, 2022.
The nonoperating holding company (NOHC) issuer credit rating and senior unsecured debt ratings are notched from the group stand-alone credit profile (SACP) under our criteria. Since ALAC notching does not benefit NOHCs, for simplicity the diagram above is stylized to show the positioning of these ratings with reference to the group SACP.
AT1--Additional Tier 1.

We do not include notches for ALAC support in the ratings on U.K. NOHCs because we consider it unlikely that their senior obligations would continue to receive full and timely payment in a resolution scenario. Because of this, and our view that the claims of the creditors of NOHCs are structurally subordinated to those of operating company creditors, we rate both Lloyds Banking Group PLC and HBOS PLC three notches below the GCP. This translates into a long-term issuer credit rating (ICR) that is one notch below the group SACP of 'a-'.

We rate hybrid debt instruments according to their respective features.

Resolution Counterparty Ratings (RCRs)

We set the RCRs on Lloyds Bank, Bank of Scotland, and Lloyds Bank Corporate Markets one notch above our long-term ICRs on these entities, reflecting the typical approach under our framework when the ICR ranges from 'BBB-' to 'A+'. The RCRs also reflect our jurisdiction assessment for the U.K.

Key Statistics

Lloyds Banking Group PLC--Key Figures

Mil. £	2024	2023	2022	2021	2020
Adjusted assets	712,886	696,229	708,154	700,021	718,904
Customer loans (gross)	463,218	453,715	459,798	452,844	446,486
Adjusted common equity	27,473	27,121	27,688	27,458	24,876
Operating revenues	18,845	19,270	18,579	16,436	15,418

Lloyds Banking Group PLC--Key Figures

Noninterest expenses	11,253	10,563	9,424	8,544	8,756
Core earnings	4,871	5,654	5,682	7,475	2,215

Lloyds Banking Group PLC--Business Position

(%)	2024	2023	2022	2021	2020
Total revenues from business line (currency in millions)	18,845	19,305	18,579	16,523	15,418
Commercial & retail banking/total revenues from business line	87.9	89.6	88.9	84.9	89.3
Insurance activities/total revenues from business line	6.1	5.6	7.9	9.1	8.4
Other revenues/total revenues from business line	5.9	4.8	3.2	6.1	2.3
Return on average common equity	9.8	12.0	11.3	11.9	2.0

Lloyds Banking Group PLC--Capital And Earnings

(%)	2024	2023	2022	2021	2020
Tier 1 capital ratio	16.6	17.2	17.1	20.0	19.1
S&P Global Ratings' RAC ratio before diversification	N/A	9.7	9.1	9.4	8.7
Adjusted common equity/total adjusted capital	81.6	79.6	83.9	81.1	78.4
Net interest income/operating revenues	65.2	69.0	75.1	57.0	69.7
Fee income/operating revenues	9.3	9.5	8.1	8.7	7.5
Market-sensitive income/operating revenues	3.9	7.2	(15.0)	7.7	6.1
Cost to income ratio	59.7	54.8	50.7	52.0	56.8
Preprovision operating income/average assets	0.9	1.0	1.0	0.9	0.8
Core earnings/average managed assets	0.5	0.6	0.6	0.9	0.3

Lloyds Banking Group PLC--Risk-Adjusted Capital Framework Data

(Mil. £)	Exposure*	Basel III RWA	Average Basel III RW (%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk					
Government and central banks	110,169	244	0	2,232	2
Of which regional governments and local authorities	679	15	2	57	8
Institutions and CCPs	21,384	3,305	15	4,629	22
Corporate	89,436	45,315	51	71,404	80
Retail	432,140	112,321	26	191,786	44
Of which mortgage	372,777	67,694	18	138,567	37
Securitization§	41,272	8,346	20	13,310	32
Other assets†	9,426	6,451	68	9,821	104
Total credit risk	703,827	175,982	25	293,183	42
Credit valuation adjustment					
Total credit valuation adjustment	--	485	--	0	--

Lloyds Banking Group PLC--Risk-Adjusted Capital Framework Data

(Mil. £)	Exposure*	Basel III RWA	Average Basel III RW (%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk					
Market risk					
Equity in the banking book	4,134	6,525	158	25,778	624
Trading book market risk	--	3,714	--	5,358	--
Total market risk	--	10,239	--	31,136	--
Operational risk					
Total operational risk	--	27,188	--	29,897	--
Diversification adjustments					
RWA before diversification	--	224,631	--	354,216	100
Single name (on corporate portfolio)#	--	--	--	5,012	7
Sector (on corporate portfolio)	--	--	--	-3,339	-4
Geographic	--	--	--	19,482	6
Business and risk type	--	--	--	-41,444	-11
Total diversification/ concentration adjustments	--	--	--	-20,288	-6
RWA after diversification	--	224,631	--	333,928	94
Capital ratio		**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio before adjustments		37,349	16.6	33,668	9.5
Capital ratio after adjustments‡		37,349	16.6	33,668	10.1

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Other assets include deferred tax assets not deducted from ACE. #For public sector funding agencies, the single name adjustment is calculated on the regional government and local authorities portfolio. ‡For Tier 1 ratio, adjustments are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. CCPs--Central counterparty clearing house. Sources: Company data as of Dec. 31, 2024, S&P Global Ratings.

Lloyds Banking Group PLC--Risk Position

(%)	2024	2023	2022	2021	2020
Growth in customer loans	2.1	(1.3)	1.5	1.4	0.5
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	(5.7)	(6.1)	(7.2)	(6.4)
Total managed assets/adjusted common equity (x)	33.0	32.5	31.7	32.3	35.0
New loan loss provisions/average customer loans	0.1	0.1	0.3	(0.3)	0.9
Net charge-offs/average customer loans	0.2	0.2	0.2	0.2	0.3
Gross nonperforming assets/customer loans + other real estate owned	2.0	2.2	2.3	1.9	2.0
Loan loss reserves/gross nonperforming assets	37.3	39.3	45.6	49.2	70.1

Lloyds Banking Group PLC--Funding And Liquidity

(%)	2024	2023	2022	2021	2020
Core deposits/funding base	75.9	75.11	74.9	76.4	73.1
Customer loans (net)/customer deposits	95.3	95.4	95.7	94.2	97.7

Lloyds Banking Group PLC--Funding And Liquidity					
Long-term funding ratio	91.9	91.9	90.4	93.0	90.1
Stable funding ratio	111.1	114.8	111.7	115.0	107.4
Short-term wholesale funding/funding base	8.6	8.6	10.2	7.5	10.7
Regulatory net stable funding ratio	129.0	130.0	--	--	--
Broad liquid assets/short-term wholesale funding (x)	2.5	2.7	2.2	3.0	2.2
Broad liquid assets/total assets	15.3	16.7	16.4	16.1	16.4
Broad liquid assets/customer deposits	28.7	31.2	30.4	29.9	31.7
Net broad liquid assets/short-term customer deposits	17.7	20.2	17.0	20.3	17.1
Regulatory liquidity coverage ratio (LCR) (x)	146.0	142.0	144.0	--	--
Short-term wholesale funding/total wholesale funding	34.1	33.1	39.3	30.5	38.0
Narrow liquid assets/3-month wholesale funding (x)	3.1	4.3	4.1	4.5	3.1

Rating Component Scores

Lloyds Banking Group plc--Rating component scores

Issuer credit rating	A+/Stable/A-1
SACP	a-
Anchor	bbb+
Economic risk	4
Industry risk	3
Business position	Strong
Capital and earnings	Adequate
Risk position	Adequate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	+2
ALAC support	+2
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, Feb. 10, 2025
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024

- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Three Takeaways From U.K. Banks' Full-Year 2024 Results, Feb. 26, 2025
- U.K. Banking Outlook 2025: Entering The Year With Solid Earnings, Jan. 20, 2025
- U.K. Economic Outlook 2025: Monetary Policy And Trade To Offset Fiscal Impetus, Nov. 26, 2024
- Santander UK's Motor Finance Provision Indicates The Size Of U.K. Lenders' Potential Redress Payments, Nov. 20, 2024
- Court's Motor Finance Judgment Gives Some U.K. Banks Pause In A Strong Third Quarter, Oct. 29, 2024
- Banking Industry Country Risk Assessment: United Kingdom, Oct. 23, 2024
- United Kingdom 'AA/A-1+' Ratings Affirmed; Outlook Stable, Oct. 18, 2024

Ratings Detail (as of June 12, 2025)*

Lloyds Banking Group PLC	
Issuer Credit Rating	BBB+/Stable/A-2
Junior Subordinated	BB-
Preference Stock	BB
Senior Unsecured	BBB+
Short-Term Debt	A-2
Subordinated	BBB-
Issuer Credit Ratings History	
24-Jun-2021	BBB+/Stable/A-2
23-Apr-2020	BBB+/Negative/A-2
15-Nov-2017	BBB+/Stable/A-2
Sovereign Rating	
United Kingdom	AA/Stable/A-1+
Related Entities	
Bank of Scotland Capital Funding L.P.	
Preferred Stock	BB+
Bank of Scotland PLC	

Ratings Detail (as of June 12, 2025)*

Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Junior Subordinated	BB+
Junior Subordinated	BBB-
HBOS PLC	
Issuer Credit Rating	BBB+/Stable/A-2
Junior Subordinated	BB+
Senior Unsecured	BBB+
Short-Term Debt	A-2
Subordinated	BBB
Subordinated	BBB-
LBG Capital No. 1 PLC	
Junior Subordinated	BB+
Subordinated	BBB-
LBG Capital No. 2 PLC	
Junior Subordinated	BB+
Subordinated	BB+
Lloyds Bank Corporate Markets PLC	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
Commercial Paper	A-1
Senior Unsecured	A
Short-Term Debt	A-1
Lloyds Bank Corporate Markets PLC (New York Branch)	
Commercial Paper	A-1
Lloyds Bank PLC	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Commercial Paper	A-1
Junior Subordinated	BB+
Junior Subordinated	BBB-
Senior Unsecured	A+
Short-Term Debt	A-1
Subordinated	BBB

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.