CREDIT OPINION
13 August 2025

Update

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RATINGS

Lloyds Bank GmbH

Domicile	Berlin, Germany
Long Term CRR	A2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	A3
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Lloyds Bank GmbH

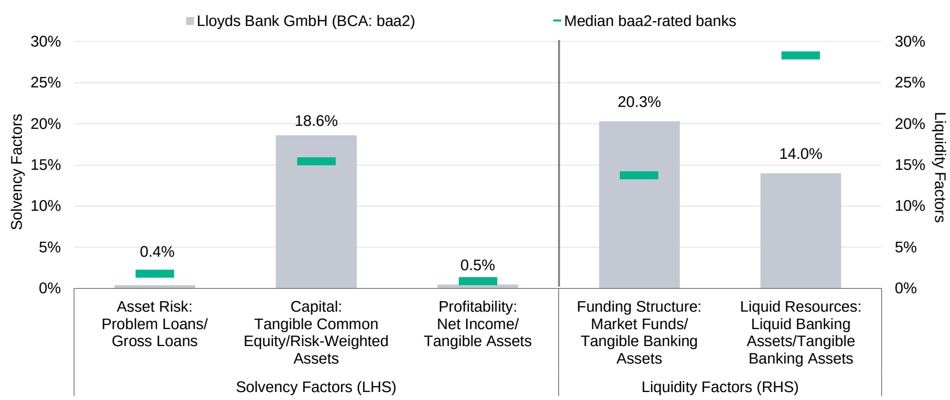
Update to credit analysis

Summary

Lloyds Bank GmbH's (LB GmbH) ratings reflect its baa2 BCA, two notches of affiliate support uplift, which is based on the assumption of very high support from its 100% owner Lloyds Bank plc (A1 stable/A1 stable, a3[1]) and results an a3 Adjusted BCA; the results of our Advanced Loss Given Failure (LGF) analysis, which incorporates the relative loss severity of a liability class and does not yield any rating uplift for LB GmbH's deposit ratings; and no rating uplift from government support because of the bank's small size in the context of the German banking sector.

LB GmbH's baa2 BCA reflects its strong asset quality and risk-weighted capitalization, which help offset risk from its concentrated lending book and an unseasoned loan book amid strong growth, albeit its leverage ratio of below 4% is a weakness. Further, LB GmbH's proven access to granular retail deposits is a relative strength, although the focus on online deposit sourced mostly in Germany is largely decoupling the deposit base from its mostly Dutch lending franchise which could reduce the bank's ability to source cheap funding and maintain adequate liquidity ratios and is indicative of a more price-sensitive customer base. Further, LB's quasi-monoline business model and the resulting limited business diversification remains captured in the baa2 BCA.

Exhibit 1
Rating Scorecard - Lloyds Bank GmbH - Key ratios



Source: Moody's Ratings

Credit strengths

» Granular loan book with sound asset quality

» Access to mostly statutorily guaranteed granular retail deposits

» Strong strategic and operational linkage with parent bank

Credit challenges

» Strong business focus results in lack of income diversification

» High and only gradually improving balance-sheet leverage

» Limited liquid resources

» Deposit franchise faces increasing competition and remains decoupled from the bank's lending assets

Rating outlook

» The stable outlook reflects our expectation of a largely stable financial profile over the next 12 months as well as our assumption of an unchanged liability structure over time.

Factors that could lead to an upgrade

» LB GmbH's ratings could be upgraded if the BCA of Lloyds Bank plc gets upgraded. In addition, LB GmbH's ratings may benefit from additional rating uplift from our Advanced LGF analysis through meaningful issuance of senior unsecured and subordinated debt instruments.

» LB GmbH's BCA could be upgraded if the bank significantly improves its leverage ratio and sustainably bolsters its cash and liquidity reserves while maintaining a low dependence on more confidence-sensitive market funding. However, this is likely to be offset by a reduction in affiliate support unless Lloyds Bank plc's BCA improves as well.

Factors that could lead to a downgrade

» LB GmbH's ratings could be downgraded if the bank's BCA is downgraded or if Lloyds Bank plc's BCA is downgraded, leading to fewer notches of affiliate support uplift. LB GmbH's ratings could also be downgraded if our Advanced LGF analysis indicates a higher loss severity for certain instrument classes, for example if deposits get replaced with covered bonds in a more pronounced manner than anticipated.

» LB GmbH's BCA could be downgraded if its combined solvency weakens, for example because of an increase in non-performing loans or its leverage ratio. The BCA could also be downgraded if the bank increase its market funding dependence beyond our current expectation or in case of a sustainably reduced level of liquidity reserves.

Key Indicators

Exhibit 2
Lloyds Bank GmbH (Consolidated Financials) [1]

	12-24[2]	12-23[2]	12-22[2]	12-21[2]	12-20[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	23.6	20.7	17.6	14.2	12.6	17.1[4]
Total Assets (USD Billion)	24.4	22.8	18.8	16.0	15.4	12.3[4]
Tangible Common Equity (EUR Billion)	0.8	0.7	0.6	0.5	0.4	17.9[4]
Tangible Common Equity (USD Billion)	0.9	0.8	0.6	0.6	0.5	13.1[4]
Problem Loans / Gross Loans (%)	0.3	0.4	0.4	0.6	0.9	0.5[5]
Tangible Common Equity / Risk Weighted Assets (%)	18.6	18.1	17.8	26.3	25.1	21.2[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	7.7	9.2	9.4	12.7	21.3	12.1[5]
Net Interest Margin (%)	1.3	1.5	1.3	1.3	1.7	1.4[5]
PPI / Average RWA (%)	4.1	4.7	4.2	4.3	6.1	4.7[6]
Net Income / Tangible Assets (%)	0.5	0.6	0.4	0.5	0.5	0.5[5]
Cost / Income Ratio (%)	38.7	36.2	44.2	50.1	41.5	42.1[5]
Market Funds / Tangible Banking Assets (%)	20.3	17.1	19.6	12.2	32.9	20.4[5]
Liquid Banking Assets / Tangible Banking Assets (%)	14.0	14.7	14.3	12.4	11.8	13.4[5]
Gross Loans / Due to Customers (%)	126.4	116.1	128.2	103.7	135.7	122.0[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.
Sources: Moody's Ratings and company filings

Profile

LB GmbH is a small German bank based in Berlin with €23.6 billion in total assets as of 31 December 2024 with an office in Amsterdam. The bank was founded in 2019 through the asset transfer of the Dutch and German branch of Bank of Scotland plc (A1 stable/A1 stable, a3[2]) and is now a fully owned subsidiary of Lloyds Bank plc.

LB GmbH is an online direct bank with a focus on retail banking products. In Germany, it advertises its deposits and retail lending products under the "Bank of Scotland" brand whereas in the Netherlands it uses the "Lloyds Bank" brand. As of year-end 2024, most of its loan book consisted of Dutch residential mortgages distributed through brokers, while the deposits funding the loan book mainly consisted of German retail deposits generated through online distribution channels.

As of year-end 2024, the bank had around 500 employees and more than 150,000 customers in the Netherlands translating into a market share of 2% in the residential mortgage market in the Netherlands.

Weighted Macro Profile of Strong (+)
LB GmbH is a bank focused on the Dutch residential mortgage market and displays only limited lending exposures in Germany. As a result, we assign a Strong + Macro Profile to LB GmbH, in line with the Macro Profiles of the Netherlands and Germany.

Detailed credit considerations

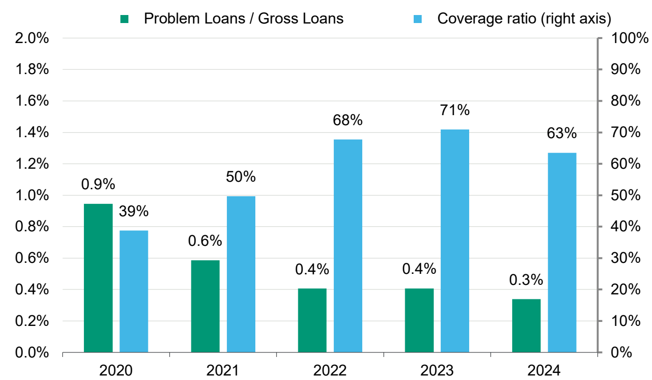
Strong loan growth and concentrations in residential mortgage lending drive asset risks

We assign an a1 Asset Risk score to LB GmbH, three notches below the aa1 initial score generated from a three-year average problem loan ratio of 0.4%. The negative adjustment takes account of the very strong loan growth in recent years which has increased risks potentially stemming from an unseasoned portfolio and captures the bank's high exposure and concentration to the Dutch residential mortgage market.

This strong concentration to the Dutch residential mortgage market is partially mitigated by the fact that around 47% of those loans are guaranteed by the National Mortgage Guarantee (NHG), effectively eliminating related credit risks. NHG is a guarantee provided to the mortgage lender by a government-backed foundation, the Dutch Homeownership Guarantee Fund (Stichting Waarborgfonds Eigen Woningen). In 2024, NHG loans were applicable for mortgages up to a volume of €450,000.

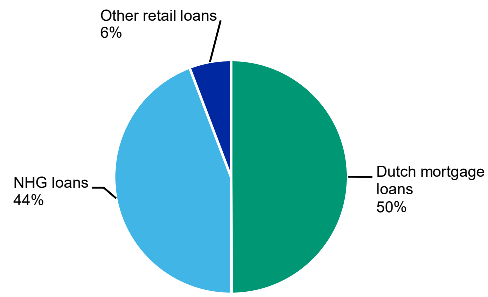
The bank's loan book grew 15.1% year-over-year in 2024 and comprised €20.1 billion of predominantly mortgages. Despite the strong increase in lending volumes, the bank did not compromise on its credit standards: Loan-to-value (LTV) ratios remained largely stable, with the majority of new business typically underwritten at below 70% LTV and a long fixed-rate period of above 10 years. Moreover, the bank's mortgage properties are well diversified geographically across the Netherlands.

Exhibit 3
LB GmbH's asset quality remains strong



Problem loan ratio is in accordance with our definition; the coverage ratio compares problem loans to specific and generic loan-loss reserves.
Sources: Company reports, Moody's Ratings

Exhibit 4
LB GmbH's loan book is narrowly focused on residential mortgages in the Netherlands (€20.1bn total as of year-end 2024)



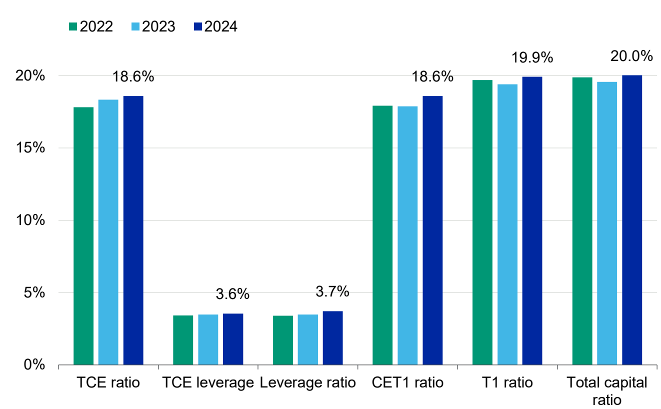
Sources: Company reports, Moody's Ratings

As of year-end 2024, the bank's stock of impaired loans slightly decreased to €68 million, or 0.3% of total gross loans (2023: €71 million). The bank's cash coverage of problem loans of 63% as of year-end 2024 is considered solid and in line with most peers.

High balance-sheet leverage implies some vulnerability, despite strong risk-weighted capitalisation

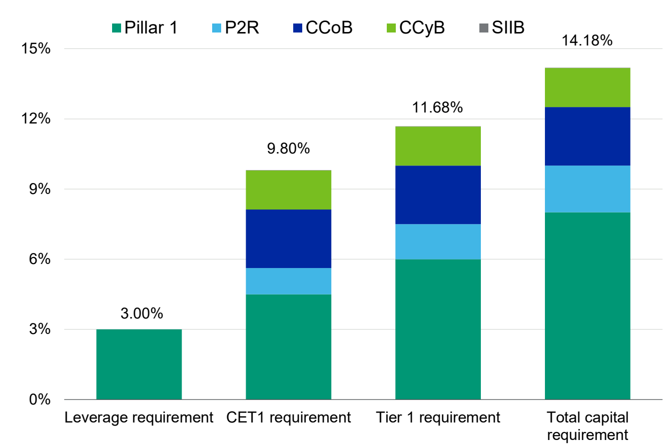
We assign an a3 Capital score to LB GmbH, four notches below the aa2 initial score. The negative adjustment reflects the limited buffers to regulatory minima because of the bank's sustained high and only gradually improving, balance-sheet leverage as well as an expected decrease in its strong risk-weighted capitalisation due to further loan growth and the upcoming implementation of risk floors under the capital requirements regulations (CRR) 3. The LB GmbH applies the internal rating-based approach for calculating its risk-weighted assets relating to Dutch mortgage loans while it utilises the standard approach for calculating risk-weighted assets for unsecured consumer loans, revolving credit facilities and Dutch buy-to-let mortgages.

Exhibit 5
LB GmbH's capitalisation is strong, but leverage is very high



TCE = Tangible common equity; CET1 = Common Equity Tier 1 capital. The TCE leverage ratio compares TCE to tangible banking assets.
Sources: Company reports, Moody's Ratings

Exhibit 6
LB GmbH regulatory capital requirements
As of 31 December 2024



Sources: Company reports, Moody's Ratings

LB GmbH's TCE leverage is high, displaying 3.6% as of the end of 2024. The bank's regulatory Tier 1 leverage ratio stood at 3.7% as of the same date, supported by €60 million of Additional Tier 1 (AT1) instruments held by the parent. This resulting buffer to the 3.0% regulatory leverage ratio requirement is lower than for many peers, exposing the bank to potentially nearing its regulatory minimum if future growth is not supported by an almost full retention of earnings. If sustained, this could exert strain on the bank's solvency profile, in particular if upcoming regulation or asset quality deterioration coupled with continued strong balance growth lead to higher-than-anticipated growth in risk-weighted assets and/or leverage exposures.

As of 31 December 2024, LB GmbH's TCE capital ratio stood at 18.6%, slightly up from 18.3% as of year-end 2023. These ratios were close to the regulatory Common Equity Tier 1 (CET1) capital ratio of 18.6% as of the same date and remained well above the bank's respective capital requirements. On 3 July 2024, the German regulator BaFin increased the bank's minimum capital requirements following findings from a supervisory review focused on the bank's lending activities and outsourcing arrangements. We understand that the bank remains committed to addressing the identified issues. The capital add-on will remain in effect until BaFin's findings have been fully resolved. A follow-up audit is anticipated in the second half of 2025. Notwithstanding the higher capital requirements which are shown in exhibit 6, we expect LB GmbH to continue maintaining robust capital buffers above the minimum thresholds.

Strong efficiency and stable return on assets despite reliance on interest income

We assign a ba1 Profitability score to LB GmbH, in line with the initial score. The assigned score reflects the bank's net income to tangible assets ratio of around 50 bps as of year-end 2024 as well as our expectation of a stable return on assets of 40-50 bps over the next foreseeable time frame.

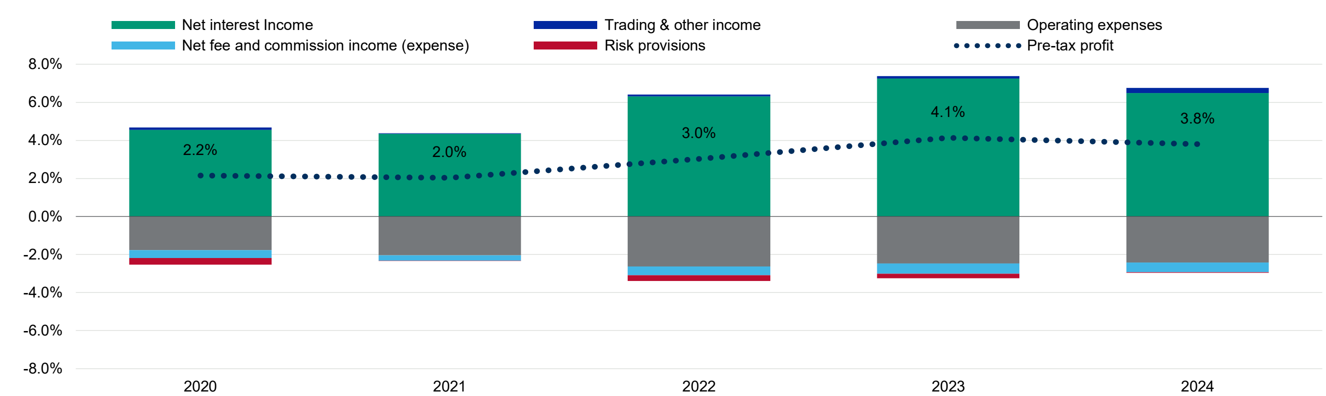
LB GmbH's main source of income is net interest income (NII) generated from its mortgage lending activities in the Netherlands while interest expenses largely relate to its deposits franchise in Germany. The bank further holds interest rate swaps with the parent group to manage its interest rate risk from maturity mismatches. Over the next 12 months and likely beyond, we expect net interest income to be strained by higher deposit funding costs in a highly competitive market, in part offset by continued high loan growth.

Given the bank's business model as direct bank with no expensive branch network, its profitability benefits from a low fixed cost base as reflected by a cost-to-income ratio of around 39% in 2024 (2023: 36%), which is favourable compared with peers.

Exhibit 7

LB GmbH's earnings are heavily reliant on net interest income

Data in % of RWA



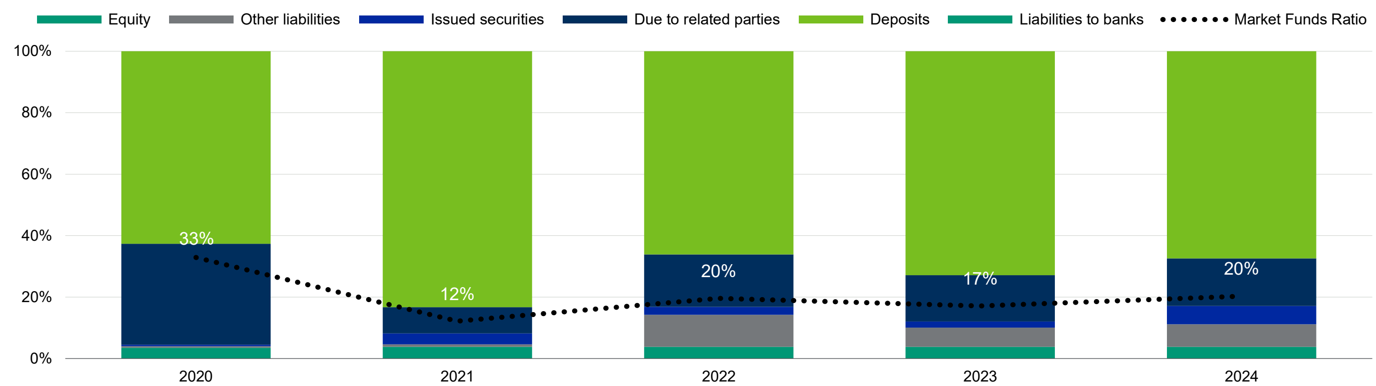
Sources: Company reports, Moody's Ratings

Grown market funding dependence besides its strong online deposit franchise

We assign a baa2 Funding Structure score to LB GmbH, one notch below the initial score of baa1. The assigned score incorporates an expected moderate increase in market funding over the next two years following the planned issuance of further covered bonds and Residential Mortgage-Backed Securities (RMBS) and the bank's deposit franchise in Germany being exposed to more price-sensitive online deposits and being decoupled from the bank's Dutch lending client base.

LB GmbH's funding largely stems from retail deposits sourced through its online distribution channels under the "Bank of Scotland" brand. We consider online deposits less sticky compared to branch-based accounts and much more price sensitive than current accounts. As of year-end 2024, the bank held €15.9 billion of customer deposits (2023: €15.0 billion), representing 67% of total assets. The remaining funding consisted of €0.9 billion of RMBS as well as interbank funding of €3.6 billion, the latter almost exclusively provided by the parent.

Exhibit 8
LB GmbH's deposits dominate the current funding mix, supported by intragroup funding



Market Funds Ratio = Market funds/tangible banking assets
Sources: Company reports, Moody's Ratings

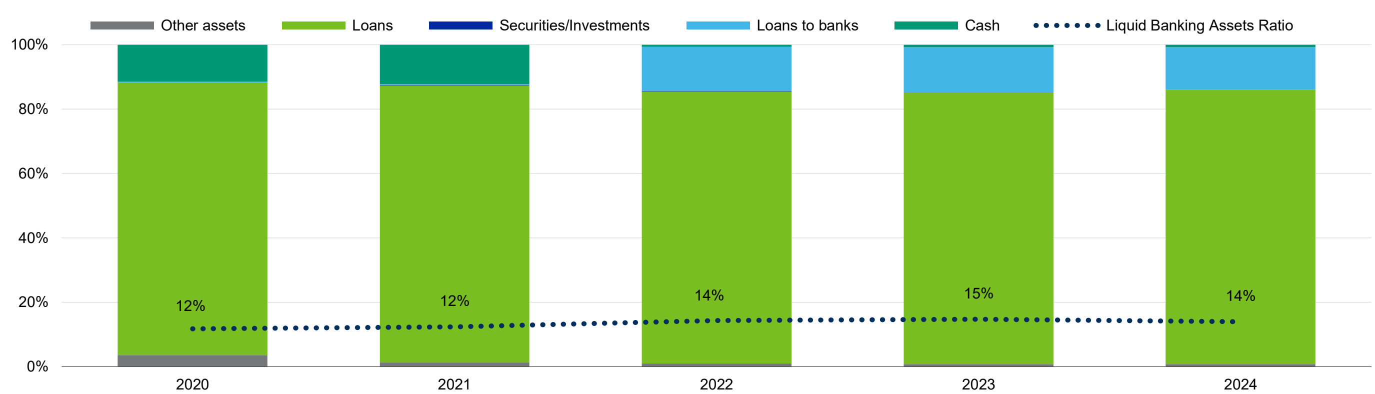
The issuance of longer-term funding like covered bonds will help diversify the bank's funding mix and extend its funding tenors, as well as reduce funding from (and interest hedging with) the parent.

As of year-end 2024, LB GmbH's net stable funding ratio stood at 141% and its loan-to-deposit ratio was 126%.

Adequate liquid resources

We assign a ba1 Liquid resources score to LB GmbH, in-line with the initial score. The assessment reflects our expectation that the volume of liquid resources in relation to tangible assets will remain stable at the current level despite the bank planning to further grow its lending activities.

Exhibit 9
LB GmbH's liquid resources remain only adequate



Liquid Banking Asset Ratio = Liquid assets/tangible banking assets
Sources: Company reports, Moody's Ratings

Considering its loan-to-deposit ratio of well above 100% as of the end of 2024, the bank has limited flexibility to manage larger and unexpected deposit outflows as long as it has not established a sustainably proven access to other sources of (market) funding. This exposes it to higher funding costs to retain or grow deposits in a highly competitive market to fund its lending operations, a credit negative. In case of stress, however, we would expect the parent to provide the necessary funding, limiting overall refinancing risks.

As of year-end 2024, LB GmbH held €0.18 billion in cash and interbank claims with central banks of €3.6 billion that we reflect in our liquid resources ratio of 14.0%, which is at the lower end of LB GmbH's peers. Over the next 12 to 18 months, we expect cash reserves to remain stable because it is forecast that the bank's further loan growth will be funded by either retail deposits or the issuance of covered bonds or RMBS.

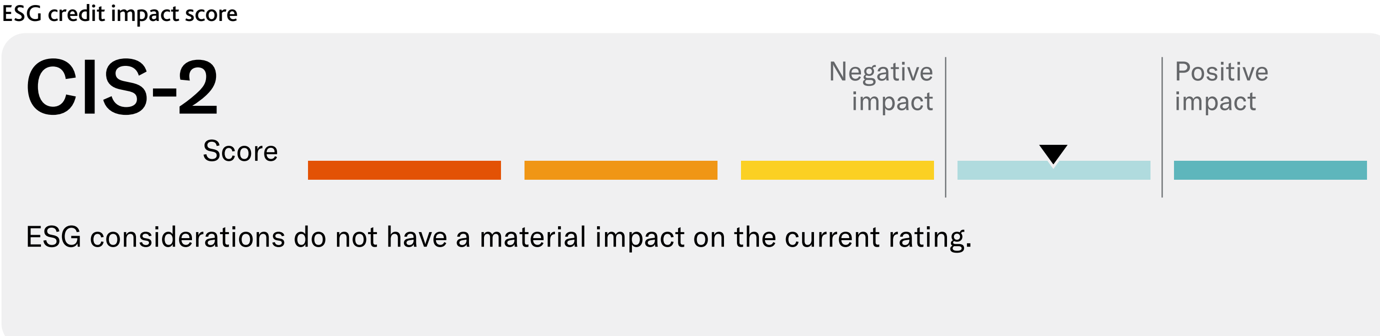
Strong business focus results in lack of income diversification constraining the bank's BCA
We reduce LB GmbH's Financial Profile by one notch to reflect the bank's lack of income diversification outside of its narrowly distributed largely Dutch real estate lending business. LB GmbH's revenue depend almost exclusively on this business line generating a very high share of the bank's net interest income and revenue. Therefore, we consider LB GmbH to operate a monoline business model, evidencing a lack of business diversification compared to more typical business models in banking.

Business diversification is an important gauge of a bank's sensitivity to stress in a single business line. It is related to earnings stability in the sense that earnings diversification across distinct and relatively uncorrelated lines of business increases the reliability of a bank's earnings streams and its potential to absorb shocks affecting a business line.

ESG considerations

Lloyds Bank GmbH's ESG credit impact score is CIS-2

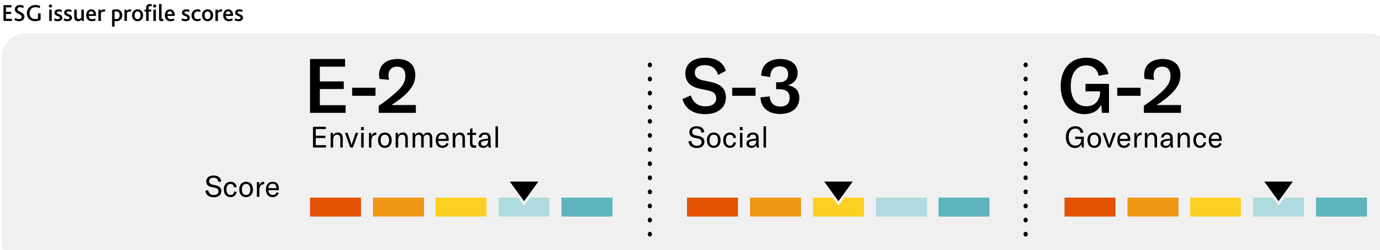
Exhibit 10
ESG credit impact score



Source: Moody's Ratings

LB GmbH's **CIS-2** indicates that ESG considerations have no material impact on the current ratings. This reflects the limited credit impact of environmental and social risk factors on the ratings to date, and low governance risks.

Exhibit 11
ESG issuer profile scores



Source: Moody's Ratings

Environmental
LB GmbH faces low exposure to environmental risks, which is lower than the average of its industry. The group has limited exposure to carbon transition risks because its loan book is highly concentrated in Dutch residential mortgages.

Social

LB GmbH faces moderate social risks related to customer relations as well as to demographic and societal trends and require high compliance standards. The high focus on mis-selling and misrepresentation by regulators in the Netherlands and Germany is mitigated by well-developed policies and procedures - in conjunction with Lloyds Banking Group plc - and is supported by LB GmbH's focus on plain-vanilla, transparent financial products and services for its clientele. The bank's high cyber and personal data risks are mitigated by technology solutions and organizational measures to prevent data breaches.

Governance

LB GmbH's governance risk is low. LB GmbH faces low governance risks, despite concentration risks inherent in its business model as a regionally focused mortgage lender. The bank's risk management, policies and procedures are embedded within those of the parent banking group and in line with industry practices. LB GmbH embeds conservative, risk-focused and risk-aware financial policies, and up-to-date corporate governance practices. The bank has a clear and simple organizational structure with no identified concerns regarding ownership and control. Because LB GmbH is fully controlled by Lloyds Banking Group plc, and despite its relatively small size, we have aligned the subsidiary's board structure, policies and procedures as well as the organizational structure score with that of its parent, given the bank's strategic importance and public affiliation with the group.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Affiliate support

Our considerations of a very high affiliate support from LB GmbH's direct parent Lloyds Bank plc results in two notches of rating uplift and an Adjusted BCA of a3. The very high support assumption is based on the strategic fit and the close operational integration of LB GmbH into Lloyds Banking Group plc (LBG, senior unsecured debt A3 stable, BCA a3). We also incorporates the 100% ownership by Lloyds Bank; additional financial interlinkages with its parent; and the brand similarity in its support assumption.

Loss Given Failure analysis

Domiciled in Germany, LB GmbH is subject to the EU's Bank Recovery and Resolution Directive (BRRD), which we consider an operational resolution regime. We assume the proportion of deposits considered junior at 10%, below our standard assumption of 26%, because of the bank's largely retail-oriented depositor base. All other assumptions are in line with our standard assumptions.

Our Advanced LGF analysis indicates a moderate loss given failure for LB GmbH's bank deposit ratings, leading to no rating uplift.

Government support considerations

We do not incorporate any rating uplift from government support to LB GmbH because of its small size in the context of the German banking sector.

Rating methodology and scorecard factors

The principal methodology we use in rating Lloyds Bank GmbH is the Banks Methodology, published in November 2024.

About Moody's Bank Scorecard

Our Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our Scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The Scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 12
Rating Factors

Macro Factors		
Weighted Macro Profile	**Strong +**	**100%**

Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	0.4%	aa1	↔	a1	Loan growth	Sector concentration
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	18.6%	aa2	↔	a3	Nominal leverage	Expected trend
Profitability						
Net Income / Tangible Assets	0.5%	ba1	↔	ba1	Return on assets	Expected trend
Combined Solvency Score		aa3		a3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	20.3%	baa1	↔	baa2	Expected trend	Market funding quality
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	14.0%	ba1	↔	ba1	Stock of liquid assets	Expected trend
Combined Liquidity Score		baa2		baa3		
Financial Profile		a2		baa1		
Qualitative Adjustments				Adjustment		
Business Diversification				-1		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				-1		
Sovereign or Affiliate constraint				Aaa		
BCA Scorecard-indicated Outcome - Range				baa1 - baa3		
Assigned BCA				baa2		
Affiliate Support notching				2		
Adjusted BCA				a3		

Balance Sheet	in-scope (EUR Million)	% in-scope	at-failure (EUR Million)	% at-failure
Other liabilities	6,910	29.3%	8,025	34.0%
Deposits	15,926	67.5%	14,811	62.7%
Preferred deposits	14,333	60.7%	13,616	57.7%
Junior deposits	1,593	6.7%	1,194	5.1%
Preference shares (bank)	60	0.3%	60	0.3%
Equity	708	3.0%	708	3.0%
Total Tangible Banking Assets	23,604	100.0%	23,604	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	8.3%	8.3%	8.3%	8.3%	1	1	1	1	0	a2
Counterparty Risk Assessment	8.3%	8.3%	8.3%	8.3%	2	2	2	2	0	a1 (cr)
Deposits	8.3%	3.3%	8.3%	3.3%	0	0	0	0	0	a3

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	1	0	a2	0	A2	A2

Counterparty Risk Assessment	2	0	a1 (cr)	0	A1(cr)	
Deposits	0	0	a3	0	A3	A3

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Ratings

Ratings

Exhibit 13

Category	Moody's Rating
LLOYDS BANK GMBH	
Outlook	Stable
Counterparty Risk Rating	A2/P-1
Bank Deposits	A3/P-2
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	A1(cr)/P-1(cr)
PARENT: LLOYDS BANK PLC	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Bank Deposits	A1/P-1
Baseline Credit Assessment	a3
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Senior Unsecured	A1
Subordinate MTN	(P)Baa1
Commercial Paper	P-1
Other Short Term -Dom Curr	(P)P-1
ULT PARENT: LLOYDS BANKING GROUP PLC	
Outlook	Stable
Baseline Credit Assessment	a3
Adjusted Baseline Credit Assessment	a3
Senior Unsecured	A3
Subordinate	Baa1
Bkd Jr Subordinate -Dom Curr	Baa2 (hyb)
Pref. Stock Non-cumulative	Baa3 (hyb)
Other Short Term -Dom Curr	(P)P-2

Source: Moody's Ratings

Endnotes

1 The ratings shown are Lloyds Bank's deposit and senior unsecured debt ratings together with their corresponding outlooks as well as its BCA.

2 The ratings shown are Bank of Scotland's deposit and backed senior unsecured debt ratings together with their corresponding outlooks as well as its BCA.

REPORT NUMBER 1451642

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