CREDIT OPINION

30 May 2025

Update

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RATINGS

Lloyds Bank plc

Domicile	London, United Kingdom
Long Term CRR	Aa3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A1
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	A1
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 plc

Update following ratings affirmation

Summary

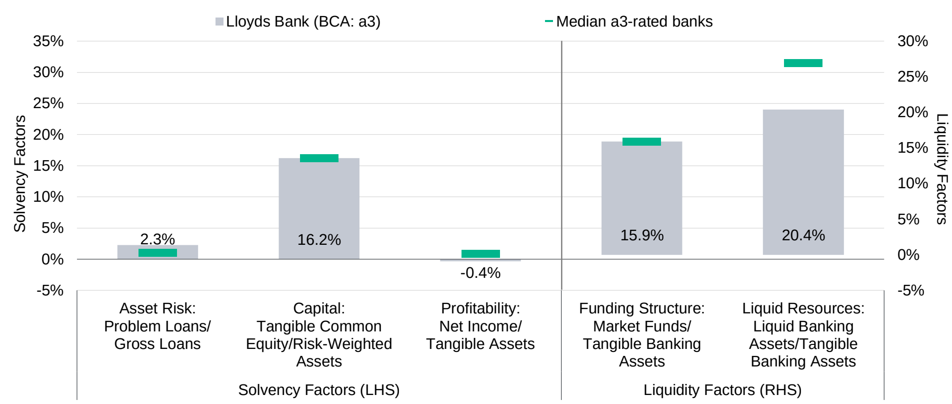
We assign an A1 rating to the long-term deposit and senior unsecured debt of Lloyds Bank plc (LB), the ring-fenced bank of the Lloyds Banking Group plc (LBG, A3 stable, a3)[1]. These ratings reflect (1) the bank's standalone creditworthiness, expressed in an a3 Baseline Credit Assessment (BCA); (2) very high affiliate support assumptions from LBG which provides no uplift to the a3 Adjusted BCA, (3) very low and low loss-given-failure, which provides two notches and one notch, respectively, of uplift under our Advanced Loss Given Failure (LGF) analysis; and (4) our assessment of a moderate probability of support from the Government of the United Kingdom (Aa3 stable), which provides one notch of uplift for the senior unsecured debt rating and zero notches for the deposit rating.

LB's a3 BCA reflects the bank's strong asset quality, stable retail funding base and ample liquidity as well as its profitability outlook which is supported by strategic revenue and cost initiatives. Capital levels are sufficient but expected to decline in line with LBG's capital distribution plans.

We align the ratings of HBOS plc and Bank of Scotland plc subsidiaries to those of LB, to reflect their high integration with LB.

Exhibit 1

Rating Scorecard - Key financial ratios



Source: Moody's Ratings

Credit strengths

- Strong asset quality
- Adequate yet declining capitalisation
- Stable retail funding and ample liquidity
- Solid profitability

Credit challenges

- Ensuring asset quality in a higher than historical interest rate environment
- Maintaining leading mortgage and deposit market share in a competitive environment

Outlook

The stable outlook on LB's long-term deposit and senior unsecured ratings reflects our view that the combined solvency and liquidity metrics will remain in line with our current assessment of strong asset quality, improving profitability, adequate capitalisation, and ample liquidity, which moderates wholesale funding exposures.

Factors that could lead to an upgrade of the ratings

LB's BCA could be upgraded following sustained improvements in the bank's asset risk, profitability or capitalisation whilst its liquidity buffers remain elevated and wholesale funding remains unchanged. An upgrade of the BCA could lead to an upgrade of all long-term ratings of LB, with the exclusion of its senior unsecured debt, as government support would decrease to zero notches from one notch. LB's senior unsecured debt ratings could also be upgraded following a significant increase in the stock of subordinated debt issued by LBG or externally by LB.

Factors that could lead to a downgrade of the ratings

LB's BCA could be downgraded following a material deterioration in its asset quality, and declining capital levels driven by much weaker than expected profitability. A one notch downgrade of the bank's BCA would lead to a downgrade of all its ratings.

Key indicators

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

	12-24[2]	12-23[2]	12-22[2]	12-21[2]	12-20[2]	CAGR/Avg.[3]
Total Assets (GBP Billion)	611.1	605.3	616.9	602.8	590.5	0.9[4]
Total Assets (USD Billion)	765.3	771.7	742.1	813.6	807.2	(1.3)[4]
Tangible Common Equity (GBP Billion)	30.3	31.9	32.5	31.7	29.6	0.6[4]
Tangible Common Equity (USD Billion)	38.0	40.7	39.1	42.8	40.4	(1.5)[4]
Problem Loans / Gross Loans (%)	2.0	2.3	2.4	2.0	2.1	2.2[5]
Tangible Common Equity / Risk Weighted Assets (%)	16.2	17.5	18.6	19.6	17.3	17.9[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	26.9	28.3	29.0	24.4	25.6	26.8[5]
Net Interest Margin (%)	2.1	2.3	2.2	1.8	1.8	2.0[5]
PPI / Average RWA (%)	2.5	3.8	4.4	3.2	3.2	3.4[6]
Net Income / Tangible Assets (%)	0.1	0.8	-1.9	0.7	1.0	0.1[5]
Cost / Income Ratio (%)	72.0	62.4	54.8	63.0	62.3	62.9[5]
Market Funds / Tangible Banking Assets (%)	15.9	16.2	17.7	14.6	16.2	16.1[5]
Liquid Banking Assets / Tangible Banking Assets (%)	20.4	20.9	23.0	22.8	23.5	22.1[5]
Gross Loans / Due to Customers (%)	98.4	98.2	98.3	96.7	100.6	98.4[5]

[-] Further to the publication of our revised methodology in July 2021, only ratios from annual 2020 onwards included in this report reflect the change in analytical treatment of the "high-trigger" Additional Tier 1 instruments. [1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [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 is the ring-fenced bank of Lloyds Banking Group plc (LBG), a leading UK-based financial services group providing a wide range of banking and financial services, focused on retail and commercial customers. LB operates also through other brands, mainly Halifax and Bank of Scotland. The bank retains most of the group's banking businesses, including more than 95% of loans and most of the retail, small and medium-sized enterprise, and corporate deposits.

As part of its strategy, LB aims to drive revenue growth and diversification both in its Consumer and Commercial businesses: in the Consumer business, it targets to deepen and innovate in consumer banking and create a new mass affluent offering; in the Commercial business, it targets to digitise and diversify its SME business and to strengthen its Corporate & Institutional offering. These initiatives should help the firm to grow revenue, with an expected benefit to profits over the medium term.

Besides LB, LBG's other main subsidiaries are the insurer Scottish Widows Limited (Scottish Widows, IFRS[2] A2 positive), and the non-ring-fenced bank Lloyds Bank Corporate Markets plc (LBCM, A1 stable/A1 stable, baa3[3]), holding capital markets activities, business outside of the European Economic Area and lending to financial institutions.

Detailed credit considerations

The financial data in the following sections are sourced from LB's consolidated financial statements, unless otherwise stated.

Strong asset quality

We assign an a3 Asset Risk score, one notch below the initial score, reflecting our expectation that Stage 3 loans will remain at around 2% of loans during the next 12-18 months. Stage 3 loans were 2.0% of gross loans at end-2024 (2023: 2.3%) and Stage 2 loans were 10.0% (2023: 12.1%).

LB's lending book includes high exposure to lower-risk retail mortgages (70%), followed by commercial lending (16%), unsecured and auto lending (10%) and “other” (4%) at end-2024. Underwriting standards in the mortgage book are higher than the market's average. The bank remains focused on the prime UK residential mortgage business, a segment with low risks. Riskier mortgages with high loan-to-values (LTV) of above 90% accounted for 1.5% of gross lending at end-2024, lower than the 6.3% market average[4] Within UK residential mortgages, 16% are buy-to-let loans, which represents a higher proportion than for some of its peers and carry higher risk but are secured in nature.

The commercial lending portfolio is split between Business and Commercial Banking (BCB, 7%) and Corporate and Institutional Banking (CIB, 9%). The £30.2 billion BCB book, mainly SME lending, includes £9.1 billion in Commercial Real Estate (CRE), which is moderate (c. 2% of gross loans). The portfolio is well diversified and underwritten with conservative loan-to-values (LTVs). SRT securitisations act as a further risk mitigant. The £40.7 billion CIB book is also diversified across sectors and largely composed of investment grade borrowers.

Retail Stage 3 loans reduced to 1.3% of balances (2023: 1.4%) and Stage 2 loans decreased to 10.6% of balances (2023: 12.4%) due to improved credit performance in UK mortgages, credit cards and unsecured personal loans, which were further supported by SRT transactions. Commercial Stage 3 loans also reduced to 2.6% (2023: 2.8%) primarily due to lower Stage 3 balances in the BCB book which offset the increase in the CIB book.

Sufficient but declining capitalisation

We assign an a2 Capital score, three notches below the initial score, reflecting our expectation capital generation will be offset by sizable shareholder distributions, reducing capital levels in line with the Group's capital target of a Common Equity Tier 1 (CET1) ratio of c. 13.0% by end-2026.

LB reported a high CET1 capital ratio of 13.7% at end-2024 (14.4% at end-2023), a significant headroom over c.12.6% regulatory requirement. The UK leverage ratio was 5.4% at end-2024, down from 5.6% at end-2023. At the same time, our tangible common equity (TCE)[5] / risk-weighted assets ratio was 16.2% and Moody's leverage ratio (TCE / Tangible Banking Assets) was 5.0%, both down from the prior year (2023: 17.5% and 5.3% respectively) due largely to dividend payments in the year.

Profitability to improve in 2025 driven by structural hedge and strategic initiatives

We assign a baa2 Profitability score, reflecting our expectation that LB's profitability will improve from 2024 levels. Ongoing strategic and cost saving initiatives, including a focus on high-value areas, such as mass affluent and transportation, technology infrastructure upgrades and enhanced digital capabilities will be supportive to profitability over the medium term. Net interest income (NII) will be supported by structural hedge income that will help to offset margin pressure in mortgage lending. Easing inflationary pressures will likely result in a reduction in rates through the remainder of 2025.

In 2024, LB reported statutory profit after tax of £3.5 billion (down from £5.2 billion in 2023). Revenues decreased 7% reflecting lower NII driven by an increase in the cost of borrowing and tighter margins on lending. Income from the structural hedge helped to partially offset these pressures and the bank expects consecutively higher hedge income over the next two years as balances are reinvested at higher rates. Operating costs (including lease depreciation) increased by 9%, due to a larger, higher-value fleet, lower used car prices, inflation and ongoing transformation expenses. Impairment charge was up £113 million to £456 million as 2023 charge was reduced by a one-off debt repayment. This was partly offset by a better economic outlook, strong portfolio performance, and releases in Commercial and Retail books.

In the first quarter of 2025, profits were down 24% YoY, due to increased operating expenses and a higher impairment which included a £100 million charge related to potential tariff risks, which was partially offset by benefits from small increases in house prices and wage growth expectations. Higher margins and loan balances helped NII increase by 4% YoY. However, a 10% decrease in other income meant that total revenues were broadly flat YoY. Inflationary pressures and the front loading of severance costs saw operating expenses increase 6%.

Stable retail funding and ample liquidity

We assign an a3 Combined Liquidity score, reflecting an a3 Funding Structure score and a baa1 Liquid Resources score, both in line with the respective initial scores. As a result, LB's Combined Liquidity score is in line with LBG's, reflecting its leading domestic deposit franchise which supports its ample liquidity and reduces reliance on market funding.

LB benefits from its stable and granular retail deposit base, which increased 2% in the year to £451.8 billion (2023: £442 billion) as inflow into savings products helped offset a reduction in current account balances. LB's reliance on wholesale funding is moderate, representing 15.9% of tangible banking assets at end-2024, down from 16.2% in 2023 driven largely by the repayment of around £8 billion of Term Funding Scheme with additional incentives for SMEs (TFSME) in the year, bringing the outstanding balance to

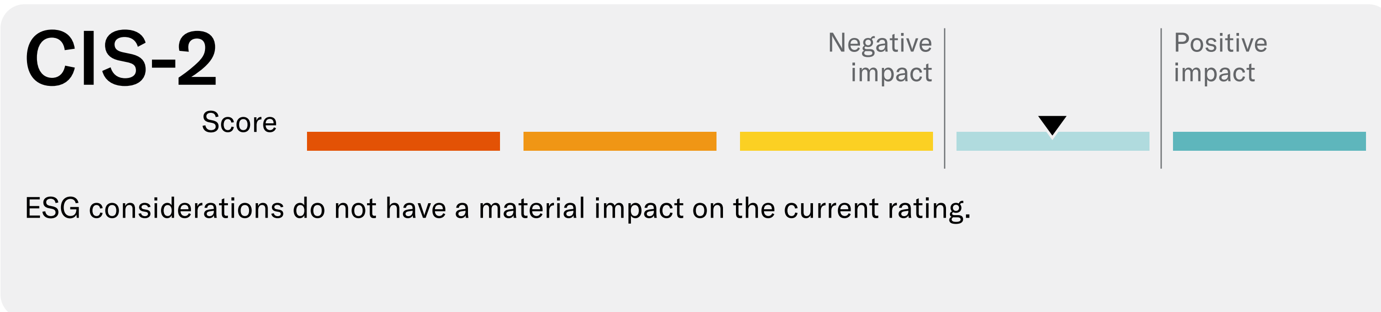
£21.9 billion (2023: £30 billion). We expect LBG to repay TFSME maturities in coming years via a combination of wholesale debt, securitisations and additional deposits.

LB's liquidity mitigates its moderate reliance on wholesale funding; cash and balances at central banks of £42.4 billion at end-2024 and material amounts of pre-positioned contingent liquidity with the Bank of England, further mitigating short term funding risk. The bank's liquidity coverage ratio (LCR) was 137% at end-2024 (133% at end of 2023). We expect its liquid assets to remain broadly stable.

ESG considerations

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

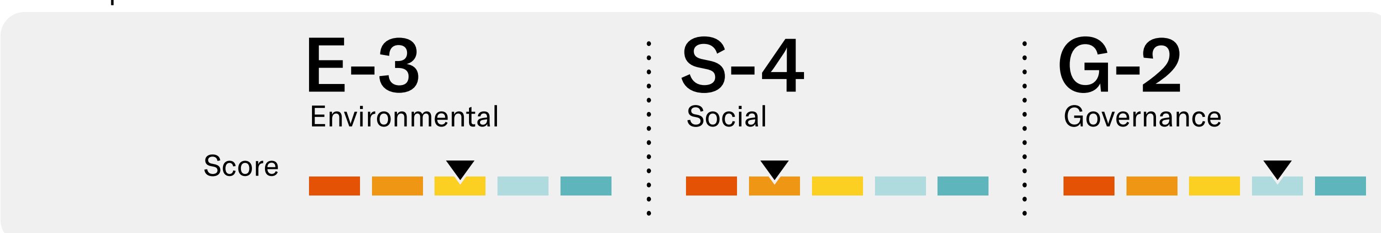
Exhibit 3
ESG credit impact score



Source: Moody's Ratings

Lloyds Bank's **CIS-2** indicates limited credit impact from ESG factors on the rating to date; in particular, governance risks are low, and take into consideration the stable and credible management along with sound capital, liquidity and risk management.

Exhibit 4
ESG issuer profile scores



Source: Moody's Ratings

Environmental
Lloyds Bank faces moderate environmental risks mainly because of its portfolio exposure to carbon transition risk as a diversified, universal banking group. In line with peers, the bank is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. In response, Lloyds is actively engaging in optimizing its loan portfolio longer-term toward less carbon intensive assets.

Social
Lloyds Bank faces high social risks from customer relations because of considerable focus on consumer protection in the UK, exposing banks to potential fines from regulators and litigation from customers, as well as cyber risk and the financial and reputational implications of data breaches. The bank's developed policies and procedures help manage associated credit risks. The bank also faces moderate social risks related to potential competition from technology firms and other disruptors.

Governance
Lloyds Bank's governance risk is low. The bank has sound board structure, risk management, and capital and liquidity management. Management has a strong track record of simplification and efficiency. Because Lloyds Bank is fully controlled by Lloyds Banking Group, we have aligned the subsidiary's board structure, policies and procedures score with that of its parent, given the bank's strategic

importance and public affiliation with the group (Lloyds Bank contains the ring-fenced business of the group and represents more than 90% of group assets and revenue), the parent's oversight of its subsidiary board and the regulated nature of both entities.

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

We expect a very high probability of support from LBG, based on the size and importance of the UK ring-fenced bank within the group. However, our assumptions do not lead to any uplift, because the notional BCA of LBG is the same as for LB.

Loss Given Failure analysis

We apply our Advanced LGF analysis to LB because the bank is incorporated in the UK, which we consider to be an operational resolution regime.

Following the implementation of ring-fencing in the UK, we believe that LB would be resolved separately from its non ring-fenced sister bank, LBCM. As such, our LGF analysis for LB reflects the entity's own liability structure.

Our LGF analysis assumes residual tangible common equity (TCE) of 3%, post-failure losses of 8% of tangible banking assets, a 25% runoff in junior wholesale deposits and a 5% runoff in preferred deposits, and it assigns a 25% probability to deposits being preferred to senior unsecured debt. We also assume that the junior proportion of LB's deposits is 26%. These assumptions are in line with our standard assumptions.

Our LGF analysis indicates that LB's deposits and senior unsecured debt are likely to face a very low and low loss-given-failure respectively because of the loss absorption provided by subordinated debt (including the debt down-streamed from LBG), and the volume of deposits and senior debt themselves. This results in a two-notch uplift for the long-term deposit and a one-notch uplift to the senior unsecured debt ratings from the BCA.

Government support considerations

Given LB's systemic importance to the UK economy, reflecting its large national market share of residential mortgages and deposits, we incorporate a moderate probability of government support for deposits and senior unsecured debt, which leads to no uplift for the long-term deposit and a one-notch uplift for the senior unsecured debt ratings.

We believe that potential government support is low for LB's subordinated liabilities, which does not result in any uplift.

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 5

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	2.3%	a2	↔	a3	Sector concentration	
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	16.2%	aa2	↓↓	a2	Expected trend	
Profitability						
Net Income / Tangible Assets	-0.4%	caa1	↑↑	baa2	Earnings quality	
Combined Solvency Score		a3		a3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	15.9%	a3	↔	a3	Deposit quality	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	20.4%	baa1	↔	baa1	Quality of liquid assets	
Combined Liquidity Score		a3		a3		
Financial Profile		a3		a3		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Aa3		
BCA Scorecard-indicated Outcome - Range				a2 - baa1		
Assigned BCA				a3		
Affiliate Support notching				0		
Adjusted BCA				a3		

Balance Sheet	**in-scope (GBP Million)**	**% in-scope**	**at-failure (GBP Million)**	**% at-failure**
Other liabilities	97,900	16.2%	144,044	23.8%
Deposits	452,391	74.7%	406,247	67.1%
Preferred deposits	334,769	55.3%	318,031	52.5%
Junior deposits	117,622	19.4%	88,216	14.6%
Senior unsecured bank debt	3,704	0.6%	3,704	0.6%
Junior senior unsecured bank debt	18,857	3.1%	18,857	3.1%
Dated subordinated bank debt	8,504	1.4%	8,504	1.4%
Junior subordinated bank debt	138	0.0%	138	0.0%
Preference shares (bank)	5,753	1.0%	5,753	1.0%
Equity	18,162	3.0%	18,162	3.0%
Total Tangible Banking Assets	605,409	100.0%	605,409	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	23.7%	23.7%	23.7%	23.7%	3	3	3	3	0	aa3
Counterparty Risk Assessment	23.7%	23.7%	23.7%	23.7%	3	3	3	3	0	aa3 (cr)
Deposits	23.7%	8.5%	23.7%	9.1%	3	3	3	2	0	a1
Senior unsecured bank debt	23.7%	8.5%	9.1%	8.5%	3	1	2	1	0	a2
Dated subordinated bank debt	5.4%	4.0%	5.4%	4.0%	-1	-1	-1	-1	0	baa1

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	aa3	0	Aa3	Aa3
Counterparty Risk Assessment	3	0	aa3 (cr)	0	Aa3(cr)	
Deposits	2	0	a1	0	A1	A1
Senior unsecured bank debt	1	0	a2	1	A1	A1
Dated subordinated bank debt	-1	0	baa1	0		(P)Baa1

[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 6

Category	Moody's Rating
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
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)
Pref. Shelf Non-cumulative	(P)Baa3
Other Short Term -Dom Curr	(P)P-2
HBOS PLC	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Issuer Rating	A1
Subordinate	Baa1
Jr Subordinate -Dom Curr	Baa2 (hyb)
ST Issuer Rating	P-1
BANK OF SCOTLAND 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)
Issuer Rating	A1
Bkd Senior Unsecured	A1
Pref. Stock Non-cumulative -Dom Curr	Baa3 (hyb)

Source: Moody's Ratings

Endnotes

1 Senior unsecured rating and BCA

2 Insurance Financial Strength Rating

3 Deposit rating, senior unsecured/issuer rating, BCA

4 As per Bank of England Mortgage Lenders and Administrators Statistics - Q4 2024.

5 Our preferred measure of capital for reasons of global comparability. Tangible common equity (TCE) = (Common shares + retained earnings and related reserves + treasury stock + foreign currency translation) minus (Goodwill and other Intangible Assets) minus (Deferred Tax Assets) plus (Impact of Cap on Deferred Tax Assets).

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454