S&P Global
Ratings

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Lloyds Bank PLC

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Credit Highlights

Overview

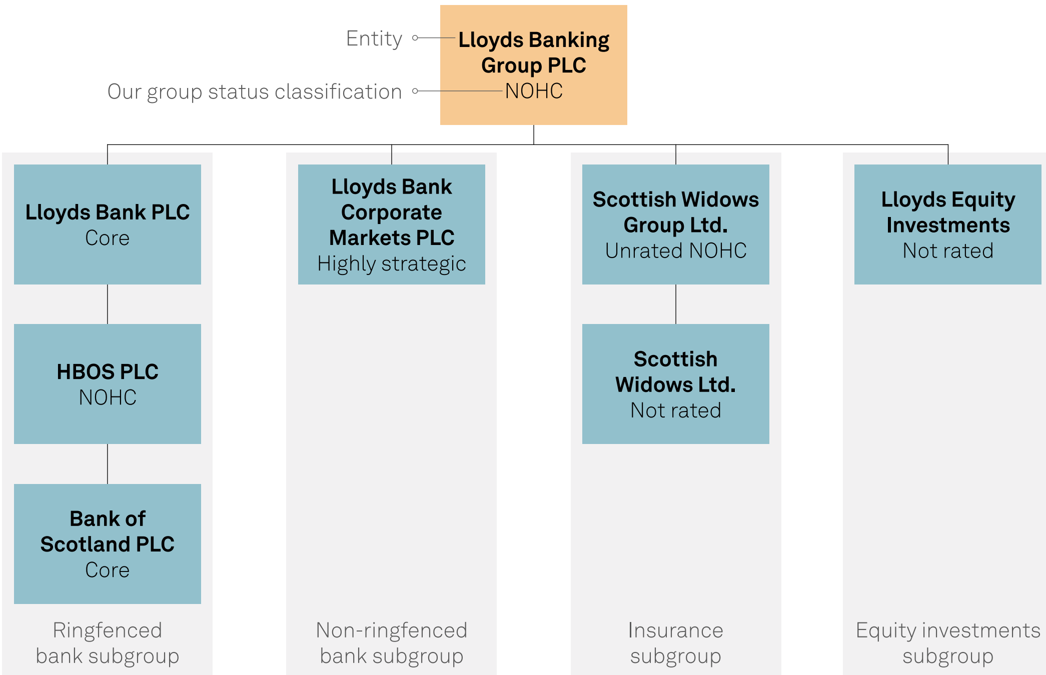
Key strengths	Key risks
Core, ring-fenced subsidiary of ultimate parent Lloyds Banking Group PLC, with supportive capital, funding and liquidity profiles.	Geographic concentration in the U.K.
Strong market position across U.K. retail and commercial banking.	

S&P Global Ratings views Lloyds Bank PLC (LB) as a core subsidiary of Lloyds Banking Group PLC (LBG). LB has an integral role in its parent's strategy, and a dominant share of the group's consolidated earnings and capital. Its brand and reputation are linked to the group's. We align our long-term issuer credit rating on LB, which includes a one-notch uplift for additional-loss absorbing capacity (ALAC), with LBG's 'a+' group credit profile. We do not assess LB's stand-alone credit profile.

LB is LBG's largest subsidiary. LB is the main entity in LBG's ring-fenced bank subgroup (see chart 1), and its consolidated regulatory risk-weighted assets (RWAs) represented 82% of LBG's RWAs at Sept. 30, 2025. It is the market leader in U.K. retail banking and one of the main U.K. commercial banks alongside ring-fenced bank peers Barclays Bank UK PLC, HSBC UK Bank PLC, and National Westminster Bank PLC. LB's main subsidiary is Bank of Scotland PLC (A+/Stable/A-1), which operates primarily in Scotland.

Chart 1

Highly simplified overview of Lloyds' legal entity structure



NOHC--Nonoperating holding company. Sources: Lloyds, S&P Global Ratings.

Earnings remain solid due to strong net interest margins, and continued fee growth. LB's consolidated pretax earnings were £3.8 billion (equating to 78% of LBG's result) in the first nine months of 2025, down 4% compared with the same period in 2024. Increased revenue from stronger net interest and non-interest income was offset by higher operating expenses (up 10.2% compared with the same period in 2024) and higher impairments.

We think LB's net interest margin will continue to rise steadily over the next 12-24 months, due to slower deposit migration, a lower rate of higher-margin mortgage refinancing, and a rising gross yield on the bank's structural hedge. This should be a boon to net interest income over our rating horizon.

LB's operating expenses increased by 10%, reflecting inflationary pressures, strategic investment, business growth costs, and a higher remediation charge relating to motor finance commission arrangements. This increase was partially offset by cost savings and ongoing cost control efforts taken by the bank.

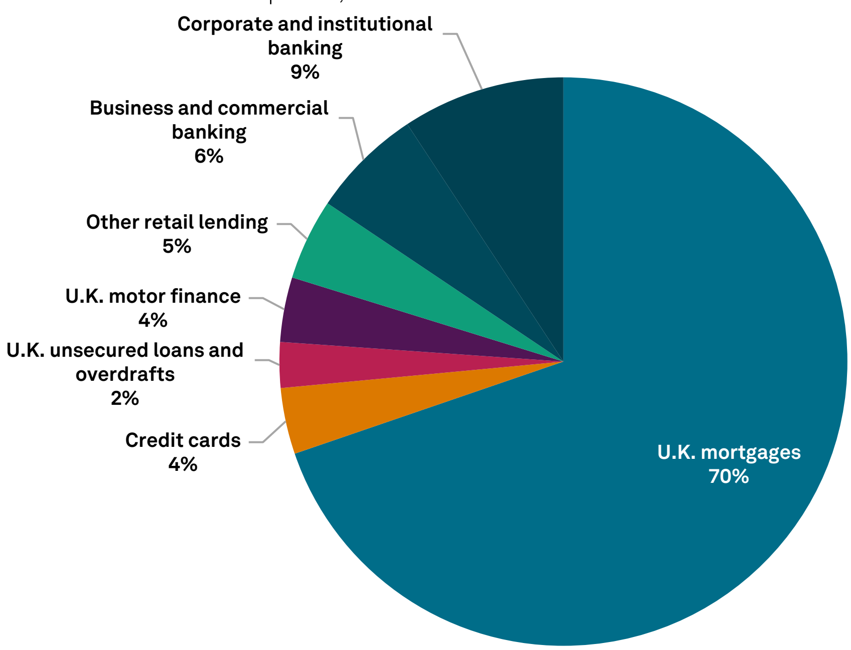
The bank's impairment charge increased to £617 million as at Sept. 30, 2025, up from £294 million compared with the same period in 2024. Last year's impairment charge benefitted from a material credit due to improvements in the Group's economic outlook. In 2025, LB's commercial banking reported higher charges in the first half of the year driven by a small number of individual cases. That was partially offset by lower expected losses, due to observed resilient performance and improved loss expectations for accounts in recoveries. LB's retail portfolios continue to perform strongly, in our view, despite some normalization.

Well-collateralized mortgages dominate customer loans. LB's large customer loan portfolio is dominated by residential mortgages but also includes riskier elements such as credit cards. LB's gross customer loan portfolio increased by about. 4% year-on-year as of Sept. 30, 2025, driven by growth in all segments. The bank's stage 2 and stage 3 loans as a percentage of gross loans were 8.9% and 1.4%, respectively, at end Q3 2025--slightly down from 9.2% and 1.6%, respectively, year-on-year. We expect a steady flow of assets to fall into arrears and default as asset quality normalizes in the U.K. Even so, sound underwriting, low loan-to-values (LTV) in the mortgage book, and resilient consumer balance sheets should underpin LB's overall asset quality.

Chart 2

Well-collateralized mortgages dominante customer lending

Gross customer loans as on Sept. 30, 2025



Source: S&P Global Ratings.

LB has taken further provisions for motor finance remediation. The Financial Conduct Authority (FCA) published a consultation on an industry wide motor finance redress scheme on Oct. 7, 2025. This provides further detail on its proposed redress approach following the Supreme Court judgment handed down on Aug. 1, 2025. LB recognized an additional remediation charge of £800 million in relation to the FCA's proposed redress scheme, bringing the total provision for motor finance to £1.95 billion, which includes both customer redress and operational costs. Based on the FCA's current proposals, the potential impact is at the adverse end of the Group's range of expected outcomes, though the proposals are expected to be challenged by banks (see "Bulletin: Lloyds' Additional £800 Million Motor Finance Provision Raises Total Redress Cost But Remains Manageable," Oct. 13, 2025). We think that the bank has ample capacity to absorb the incremental charge at its current rating level, supported by robust earnings and our expectation that it can moderate shareholder distributions to the parent if needed to maintain its overall capital position.

LB's capitalization is in line with the group's. LB's 13.6% common equity Tier 1 ratio, as of Sept. 30, 2025, is slightly below LBG's and comfortably exceeds its 10.6% minimum regulatory requirement (excluding its O-SII buffer of 2%). Its leverage ratio, which excludes central bank claims, was 5%.

We view LB's funding and liquidity profiles as solid. This is supported by LB's leading U.K. retail deposit depth and stability, its deposit-funded business banking franchise, and its minimal wholesale funding needs. LB continues to attract strong deposit inflows, expanding on an enlarged deposit base built during the COVID-19 pandemic, which has resulted in a 98% loan-to-deposit ratio as on Sept. 30, 2025. This has limited LB's wholesale funding activity, and we expect issuance needs to remain limited given the bank's consistently strong deposit flows. Nevertheless, wholesale funding will play a role in LB's refinancing of its outstanding £17 billion of borrowings from the Bank of England's Term Funding Scheme with Additional Incentives for small- and medium size enterprise (TFSME)--although the bank should manage to repay this funding without any material impact to its deposit franchise. LB held £105.6 billion of high-quality liquid assets on Sept. 30, 2025, and reported a comfortable 136% average liquidity coverage ratio.

LBG has down-streamed material loss-absorbing debt to LB. We think this buffer benefits LB's senior creditors and therefore we reflect ALAC uplift in the issuer credit rating.

Outlook

The stable outlook mirrors that of the ultimate parent LBG. The stable outlook on LBG reflects our view that its strong capitalization and competitive position provide a cushion for the rating amid an uncertain economic environment. We expect that elevated revenue from strong margins will continue supporting robust capital buffers while its stock of provisions will provide a cushion against potential asset quality deterioration.

Our ratings on LB will move in tandem with those on LBG so long as we continue to view LB as a core subsidiary of the group.

Downside scenario

We could lower the ratings on LBG and LB if economic and geopolitical challenges triggered significantly higher credit losses than we assume and adversely affected the group's earnings and capitalization.

We could lower the ratings on LB regardless of a rating action on LBG if we saw LB becoming less integral to the parent group's strategy, which is not a likely scenario given its position at the heart of the retail and commercial banking franchise.

Upside scenario

We are unlikely to take a positive rating action on LB over the outlook horizon.

Key Statistics

Lloyds Bank PLC Key Figures

Mil. GBP	2025*	2024	2023	2022	2021
Adjusted assets	616,878	605,409	599,568	611,804	598,235
Customer loans (gross)	456,011	445,090	436,817	440,102	434,633

Lloyds Bank PLC Key Figures

Adjusted common equity	31,918	31,485	31,282	31,984	29,406
Operating revenues	8,835	17,071	18,177	16,745	14,673
Noninterest expenses	5,635	11,608	10,523	9,360	10,367
Core earnings	1,940	3,723	5,395	4,633	5,057

*2025 data is for the 6 months to end-June. GBP--pound sterling.

Lloyds Bank PLC Business Position

(%)	2025*	2024	2023	2022	2021
Total revenues from business line (currency in millions)	8,835	17,130	18,461	16,942	14,922
Commercial & retail banking/total revenues from business line	92.0	89.5	89.6	92.1	89.3
Other revenues/total revenues from business line	8.0	10.5	10.4	7.9	10.7
Return on average common equity	9.4	8.7	13.1	12.0	12.7

*2025 data is for the 6 months to end-June.

Lloyds Bank PLC Capital And Earnings

(%)	2025*	2024	2023	2022	2021
Tier 1 capital ratio	16.7	16.7	17.1	17.3	19.7
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	74.1	73.8	75.4	78.3	75.2
Fee income/operating revenues	6.9	5.5	7.4	7.5	8.5
Market-sensitive income/operating revenues	1.7	2.6	1.4	0.6	1.8
Cost to income ratio	63.8	68.0	57.9	55.9	70.7
Preprovision operating income/average assets	1.0	0.9	1.3	1.2	0.7
Core earnings/average managed assets	0.6	0.6	0.9	0.8	0.8

*2025 data is for the 6 months to end-June. N.M.--Not meaningful.

Lloyds Bank PLC Risk Position

(%)	2025*	2024	2023	2022	2021
Growth in customer loans	4.9	1.9	(0.8)	1.3	0.8
Total managed assets/adjusted common equity (x)	19.5	19.4	19.4	19.3	20.5
New loan loss provisions/average customer loans	0.2	0.1	0.1	0.3	(0.3)
Net charge-offs/average customer loans	N.M.	0.2	0.3	0.2	0.2
Gross nonperforming assets/customer loans + other real estate owned	2.8	2.9	3.4	3.9	4.0
Loan loss reserves/gross nonperforming assets	26.8	24.7	24.6	26.0	21.9

*2025 data is for the 6 months to end-June. N.M.--Not meaningful.

Lloyds Bank PLC Funding And Liquidity

(%)	2025*	2024	2023	2022	2021
Core deposits/funding base	81.9	81.4	80.01	79.1	81.8
Customer loans (net)/customer deposits	98.0	97.8	98.0	97.6	95.9
Long-term funding ratio	89.8	89.6	88.3	86.9	90.1
Stable funding ratio	103.6	105.4	106.2	106.4	114.6
Short-term wholesale funding/funding base	10.8	11.0	12.5	13.9	10.6

Lloyds Bank PLC Funding And Liquidity

Regulatory net stable funding ratio	122.0	124.0	--	--	--
Broad liquid assets/short-term wholesale funding (x)	1.6	1.8	1.7	1.6	2.4
Broad liquid assets/total assets	16.0	17.5	19.0	20.5	23.0
Broad liquid assets/customer deposits	21.6	23.7	26.0	28.3	30.9
Net broad liquid assets/short-term customer deposits	8.4	10.2	10.6	10.8	18.1
Regulatory liquidity coverage ratio (LCR) (x)	136.0	137.0	1.3	1.4	1.3
Short-term wholesale funding/total wholesale funding	59.9	59.2	62.4	66.5	58.0
*2025 data is for the 6 months to end-June.					

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, Oct. 13, 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

- Ratings On Multiple European Bank Hybrids Raised On Revised Analytical Expectations, Nov. 21, 2025
- Bulletin: Growing Net Interest Income Underpins U.K. Banks' Third-Quarter Earnings, Oct. 29, 2025
- Positive Actions Taken On Lloyds And NatWest On Strong Foundations Of U.K. Financial System, Sept. 10, 2025

Ratings Detail (as of December 23, 2025)*

Lloyds Bank PLC	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Commercial Paper	A-1
Senior Unsecured	A+
Short-Term Debt	A-1
Subordinated	BBB+
Issuer Credit Ratings History	

Ratings Detail (as of December 23, 2025)*

24-Jun-2021	*Foreign Currency*	A+/Stable/A-1
23-Apr-2020		A+/Negative/A-1
08-May-2018		A+/Stable/A-1
24-Jun-2021	*Local Currency*	A+/Stable/A-1
23-Apr-2020		A+/Negative/A-1
08-May-2018		A+/Stable/A-1
Sovereign Rating		
United Kingdom		AA/Stable/A-1+
Related Entities		
Bank of Scotland PLC		
Issuer Credit Rating		A+/Stable/A-1
Resolution Counterparty Rating		AA-/--/A-1+
Junior Subordinated		BBB
HBOS PLC		
Issuer Credit Rating		A-/Stable/A-2
Junior Subordinated		BBB
Senior Unsecured		A-
Short-Term Debt		A-2
LBG Capital No. 1 PLC		
Junior Subordinated		BBB
Subordinated		BBB+
LBG Capital No. 2 PLC		
Junior Subordinated		BBB
Subordinated		BBB
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 Banking Group PLC		
Issuer Credit Rating		A-/Stable/A-2
Junior Subordinated		BBB-
Preference Stock		BBB-
Senior Unsecured		A-
Short-Term Debt		A-2
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.