Rating Action

Moody's Ratings upgrades Lloyds Bank GmbH's long-term bank deposit ratings to A2 from A3, outlook stable

Frankfurt am Main, June 16, 2026 -- Moody's Ratings (Moody's) today upgraded Lloyds Bank GmbH's (LB GmbH) long- and short-term bank deposit ratings to A2/P-1 from A3/P-2. The outlook on the long-term deposit ratings remains stable.

We have also upgraded the bank's long-term Counterparty Risk Ratings (CRR) to A1 from A2. Concurrently, we affirmed the bank's short-term CRRs at P-1.

In addition, we affirmed LB GmbH's Baseline Credit Assessment (BCA) at baa2, its Adjusted BCA at a3, upgraded the long-term Counterparty Risk Assessment (CR Assessment) to Aa3(cr) from A1(cr), and affirmed the short-term CR Assessment at P-1(cr).

RATINGS RATIONALE

AFFIRMATION OF THE BCA

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 deposits sourced mostly in Germany is largely decoupling the deposit base from its predominantly 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 GmbH's quasi-monoline business model and the resulting limited business diversification remains captured in the baa2 BCA.

AFFIRMATION OF THE ADJUSTED BCA

The affirmation of the bank's a3 Adjusted BCA reflects our assumption of a very high likelihood of affiliate support to be forthcoming from its 100% owner Lloyds Bank plc (deposits A1 stable/senior unsecured A1 stable, BCA a3), in case of need. As a result, LB GmbH's Adjusted BCA benefits from two notches of affiliate support, also taking account of the strategic fit with and the close operational integration of LB GmbH into its ultimate parent, Lloyds Banking Group plc (LBG, senior unsecured A3 stable, BCA a3).

UPGRADE OF LONG-TERM RATINGS

The upgrade of the bank's long-term bank deposit ratings follows the affirmation of the bank's Adjusted BCA and is driven by our assumption of a lower loss-given-failure than previously, as we now expect the bank to maintain sufficient amounts of parent funding in the form of intragroup loans providing protection to more senior ranking liabilities. In line with the insolvency hierarchy for banks domiciled in Germany we consider these long-term intragroup liabilities, representing a shareholder loan, to rank below junior senior unsecured instruments. Our Advanced loss given failure (LGF) analysis indicates a low loss severity for depositors which results in one notch of rating uplift for deposits.

The upgrade of the long-term CRRs to A1 reflects the same consideration, which now results in two notches of rating uplift based on our Advanced LGF analysis, against one notch previously. The upgrade of the long-term CR Assessments to Aa3(cr) reflects three notches of rating uplift stemming from our Advanced LGF analysis.

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.

RATIONALE FOR THE STABLE OUTLOOK

The stable outlook on the long-term deposit ratings reflects our expectation of a largely stable financial profile. We also expect the bank's liability structure to remain broadly unchanged over the next 12-18 months.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

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 very likely to be offset by a reduction in affiliate support unless Lloyds Bank plc's BCA improves as well.

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 changes in its liability structure towards non-bail-able instruments indicate a higher loss severity for certain instrument classes from our Advanced LGF analysis.

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

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in November 2025 and available at https://ratings.moodys.com/rmc-documents/454566. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

LB GmbH's "Assigned BCA" of baa2 is set four notches below the 'Financial Profile' initial score of a1 to reflect the bank's extremely focused business model on Dutch mortgage loans, which exposes the bank to considerable concentration risks and results in a lack of business diversification, and its low nominal leverage.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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