

## RATING ACTION COMMENTARY

# Fitch Publishes Lloyds Bank GmbH's 'A+' IDR; Outlook Stable

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Fitch Ratings - London - 02 Jul 2024: Fitch Ratings has published Lloyds Bank GmbH's (LGmbH) Long-Term Issuer Default Rating (LT IDR) of 'A+' with a Stable Outlook, Short-Term IDR of 'F1' and Shareholder Support Rating (SSR) of 'a+'.

## KEY RATING DRIVERS

**Shareholder Support Drives Ratings:** LGmbH's IDRs are driven by potential shareholder support, as reflected by its 'a+' SSR, and are aligned with its 100% shareholder, Lloyds Bank plc (LB; A+/Stable). This is based on Fitch's view of a very high probability of support by the bank's parent, LB, and its ultimate parent, Lloyds Banking Group plc (LBG; A/Stable), if needed. The SSR assessment considers LGmbH's high integration within LBG, its modest size relative to the group's financial resources, and broader reputational incentives in supporting the German subsidiary. LGmbH's Short-Term IDR is at the same level as LB's.

**EU-Based Ring-Fenced Operations:** LGmbH is a subsidiary of LBG's ring-fenced bank subsidiary, LB, and primarily provides mortgage loans in Netherlands and gathers deposits in Germany. The bank is considered strategic by LBG given its role in offering core banking products to EU-based clients following Brexit.

**Debt Buffers:** We believe that LBG's single-point-of-entry resolution plans are likely to result in LGmbH's external senior creditors benefiting from additional protection from internal minimum requirement for own funds and eligible liabilities buffers, if the bank fails. As a result, LGmbH's LT IDR benefits from a one-notch uplift from LBG's and LB's Viability Ratings (VR) of 'a' to reflect the resolution buffers available at group level.

This view also considers LGmbH's high integration with its parent's business model. In addition, as the EU's resolution regime is similar to the UK's, we believe the UK and EU

authorities would co-operate in resolution in a way that would enable LBG's resolution plans to be applied effectively to LGmbH.

**Highly-Integrated Subsidiary:** We do not assign a VR to LGmbH as its franchise, strategy and operations are closely intertwined with those of LB and LBG, and we do not expect the subsidiary to have a meaningful standalone franchise that could exist without the parent's ownership.

## **RATING SENSITIVITIES**

### **Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade**

LGmbH's SSR and consequently its IDRs, are primarily sensitive to changes in LB's and LBG's LT IDRs and in Fitch's assessment of LBG's support propensity. LGmbH's SSR and LT IDR would be downgraded if we perceive a diminishing of its importance for the group.

LGmbH's LT IDR could also be downgraded by one notch to the level of LBG's LT IDR, if Fitch negatively reassesses the probability that LGmbH's external senior creditors could benefit from additional protection from LBG's resolution funds. This could result from unfavourable changes in resolution legislation, in LGmbH's role for the group or in the size of resolution buffers available to it in a resolution.

### **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

LGmbH's IDRs and SSR could be upgraded if LB's and LBG's IDRs were upgraded and our assessment of support propensity is unchanged.

## **DATE OF RELEVANT COMMITTEE**

04 June 2024

## **REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

## **PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS**

LGmbH's LT IDR is driven by potential support from LBG.

## **ESG CONSIDERATIONS**

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit

<https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

## RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕		
Lloyds Bank GmbH	LT IDR	A+ Rating Outlook Stable	Publish
	ST IDR	F1	Publish
	Shareholder Support	a+	Publish

[VIEW ADDITIONAL RATING DETAILS](#)

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**APPLICABLE CRITERIA**

[Bank Rating Criteria \(pub. 15 Mar 2024\) \(including rating assumption sensitivity\)](#)

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Lloyds Bank GmbH

UK Issued, EU Endorsed

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