Lloyds Bank Corporate Markets plc

Annual report and accounts
for the period ended 31 December 2017

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

10399850

Current directors

C A S Antunes da Silva
J J Cummins
M A Grant
Lord Lupton
A J McIntyre
J S W Owen
P J Piers
J L Tippin

Company Secretary

S N Slattery

Member of Lloyds Banking Group

Lloyds Bank Corporate Markets plc

Contents

Strategic report

For the period ended 31 December 2017

The directors present their Strategic report on the Company for the period from incorporation on 28 September 2016 to 31 December 2017 ("the period").

The Company has been established to be the Non Ring-Fenced bank of Lloyds Banking Group ("the Group") as a result of the central requirement of the Financial Services (Banking Reform) Act 2013 and is a wholly owned subsidiary of Lloyds Banking Group plc. Relevant activities will be transferred during 2018. The Company did not trade during the period.

Once the relevant activities have been transferred, the Company will provide a range of banking and financial services through branches and offices in the UK and overseas. Revenue will be earned through interest and fees on a range of products including loans and capital markets products to financial institutions, commercial and corporate customers.

During the period the Company issued ordinary share capital of £20,050,000, had no income or expenses and recorded no profit. The Statement of financial position consists only of Share capital and Cash and cash equivalents.

Future developments

Information about the future developments is provided within the Principal risks and uncertainties section below.

Capital position at 31 December 2017

As at 31 December 2017, the Company had a common equity tier 1 capital ratio and a total capital ratio of 200 per cent.

Capital resources of the Company comprise entirely shareholders' equity of £20,050,000. Risk-weighted assets of the Company amount to £10,025,000, reflecting credit risk arising out of Amounts due from other group undertakings.

In accordance with the Capital Requirements Directive, the Company is required to hold a minimum of €5 million (£4.4 million as at 31 December 2017) of capital, which currently exceeds its capital requirement of £0.8 million based on its risk-weighted assets. The Company's capital resources, as stated above, exceed the higher requirement.

Principal risks and uncertainties

During the period there was limited risk associated with the business of the Company, but as the relevant activities are transferred during 2018 the risk profile of the Company will change. The significant risks which could impact the delivery of the Company's strategy are associated with achieving the mobilisation conditions in the banking licence application, the successful execution of the business transfers into LBCM during 2018 and raising the required levels of funding.

The Company will ensure that its business activities are consistent with its documented strategy and reasonable expectations from the Group's external stakeholders. The Company will build and maintain open and transparent relationships with its regulators.

The Company has adopted the core risk management principles of the Group. The Company's board and senior management will be responsible for managing the Company's portfolio, the Company's Risk Appetite and the Company's Risk Profile.

Key performance indicators ("KPIs")

The Company has not traded during the period, neither have the relevant activities been transferred and therefore the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

The 2017 Strategic report has been approved by the board of directors.

On behalf of the board

M A Grant
Director
22 March 2018

Directors' report

For the period ended 31 December 2017

The directors present their first report and the audited financial statements of the Company for the period.

General information

The Company is limited by shares, was incorporated on 28 September 2016, and is domiciled in England and Wales (registered number: 10399850). On incorporation, the Company was named 25 Gresham Finance Limited, and subsequently changed its name to Lloyds Bank Corporate Markets plc on 21 April 2017 following the passing of a special resolution on 20 April 2017 to re-register the Company as a public limited company.

The Company's sole shareholder is Lloyds Banking Group plc which, on incorporation, subscribed for 50,000 ordinary shares of £1 each. On 21 July 2017, a further 20,000,000 ordinary shares of £1 each were issued to the sole shareholder.

The Prudential Regulatory Authority ("PRA") granted to the Company a conditional banking licence with restrictions, with effect from 25 July 2017. The banking licence is expected to be de-restricted and the relevant activities transferred into the Company during 2018 and the Company has not traded during the period.

Dividends

No dividends were paid or proposed during the period.

Post balance sheet events

Details of events since the Balance sheet date are set out in note 10.

Going concern

The going concern of the Company is dependent on successfully funding its balance sheet and maintaining adequate levels of capital. In order to satisfy themselves that the Company has adequate resources to continue to operate for the foreseeable future, the directors have considered a number of key dependencies and have considered projections for the Company's capital and funding position. Taking all of these factors into account, the directors consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

Directors

The current directors of the Company are shown on the front cover.

The following changes have taken place since the date of incorporation and the approval of the Annual report and accounts:

C A S Antunes da Silva	(appointed 14 March 2018)
A J M Bester	(appointed 22 March 2017, resigned 3 August 2017)
J J Cummins	(appointed 29 September 2017)
M G Culmer	(appointed 28 September 2016, resigned 3 August 2017)
M A Grant	(appointed 3 August 2017)
Lord Lupton	(appointed 3 August 2017)
A J McIntyre	(appointed 29 September 2017)
J S W Owen	(appointed 29 September 2017)
P J Piers	(appointed 3 August 2017)
J L Tippin	(appointed 14 March 2018)

Appointment and retirement of directors

The appointment of directors is governed by the Company's articles of association and the Companies Act 2006. The Company's articles of association may only be amended by a special resolution of the shareholders in a general meeting.

Company Secretary

The following changes have taken place since the date of incorporation and the approval of the Annual report and accounts:

Lloyds Secretaries Limited	(appointed 28 September 2016, resigned 3 August 2017)
S N Slattery	(appointed 3 August 2017)

Directors' indemnities

The directors of the Company, including the former directors who resigned during the period, have entered into individual deeds of indemnity with Lloyds Banking Group plc which constitute 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The Deeds indemnify the directors to the maximum extent permitted by law and remain in force for the director's period of office. The Deeds were in force from the date of appointment of directors and at the date of approval of the financial statements. Directors no longer in office but who served on the board of the Company at any time in the financial period have the benefit of this contract of indemnity during that period of service. In addition, Lloyds Banking Group plc had appropriate directors' and officers' liability insurance cover in place throughout the financial period. Deeds for existing directors are available for inspection at the registered office of Lloyds Banking Group plc.

Directors' report (continued)
For the period ended 31 December 2017

Directors' interests

The directors do not have any interest in the shares of the Company. Lord Lupton is also a director of Lloyds Banking Group plc. His interest in shares of Lloyds Banking Group plc is shown in the report and accounts of that company.

Conflicts of interest

The Board has a comprehensive procedure for reviewing and, as permitted by the Companies Act 2016 and the Company's articles of association, approving actual and potential conflicts of interest.
Directors have a continuing duty to notify the chairman and company secretary as soon as they become aware of actual or potential conflict situations. Changes to the commitments of all directors are reported to the Board and a register of potential conflicts and time commitments is regularly reviewed and authorised by the Board to ensure the authorisation status remains appropriate. In accordance with the Company's articles of association, Directors may hold a position with another company in the Lloyds Banking Group (permitted interests') and no authorisation in respect of permitted interests is required by the Board. The following interests have been disclosed:
Lord Lupton is a senior advisor to Greenhill Europe, an investment bank focused on providing financial advice on significant mergers, acquisitions, restructurings, financings and capital raising to corporations, partnerships, institutions and governments. The Board has recognised that potential conflicts may arise as a result of this position. The Board has authorised the potential conflicts and requires Lord Lupton to recuse himself from discussions, should the need arise.

Andrew McIntyre is Non-Executive Director, Senior Independent Director and Chair of the Audit and Risk Committee of C. Hoare & Co., a UK regulated private bank; a member of a Financial Reporting Council ("FRC") sub-committee called the Financial Reporting Review Panel ("FRRP"); and has a continuing financial relationship with EY, as a former partner of the firm, in the form of a fixed annuity. The Board has recognised that potential conflicts may arise in relation to these positions, and the continuing financial relationship with EY. The Board has authorised the potential conflicts and requires Andrew McIntyre to recuse himself from discussions, should the need arise.

John Cummins has a personal investment in a Fintech company, Shieldpay, a developer and supplier of secure anti-fraud payments systems to banks and other organisations and holds the position of Managing for Urban Renewal and Clean Energy, Legal and General Capital, Legal and General Group plc. The Board has recognised that potential conflicts may arise and requires John Cummins to recuse himself from discussions, should the need arise.

Branches, future developments and financial risk management objectives and policies

The Company did not trade during the period and does not have any branches. Information regarding future developments and financial risk management objectives and policies of the Company in relation to the use of financial instruments that would otherwise be required to be disclosed in the Directors' report, and which is incorporated into this report by reference, can be found in the Strategic report.

Share capital

Information about share capital is shown in note 6. This information is incorporated into this report by reference. The Company issued ordinary share capital of £50,000 on 28 September 2016 and a further £20,000,000 on 21 July 2017 and did not repurchase any of its own shares during the period. There are no restrictions on the transfer of shares in the Company other than set out in the articles of association and certain restrictions which may from time to time be imposed by law and regulations. The directors manage the business of the Company under the powers set out in the Companies Act 2006 and the Company's articles of association; these powers include those in relation to the issue or buy back of the Company's shares.

Change of control

The Company is not party to any significant contracts that are subject to change of control provisions in the event of a takeover bid. There are no agreements between the Company and its Directors or employees providing compensation for loss of office or employment that occurs because of a takeover bid.

Research and development activities

The Company did not undertake any research and development activities during the period.

Employees

As at 31 December 2017, the Company did not have any employees.

Significant contracts

The Company has not entered into any significant contracts during the period.

Directors' report (continued)

For the period ended 31 December 2017

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors of the ultimate parent company are responsible for the maintenance and integrity of the of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP was appointed as auditor of the Company on 28 October 2016 under section 485(2) of the Companies Act 2006.

A resolution will be proposed at the 2018 annual general meeting to re-appoint PricewaterhouseCoopers LLP as auditors. The Company's Audit Committee is satisfied that the external auditors are independent and effective.

On behalf of the board

P J Piers
Director
22 March 2018

Independent auditors' report to the members of Lloyds Bank Corporate Markets plc

Report on the audit of the financial statements

Opinion

In our opinion, Lloyds Bank Corporate Markets plc's (the "Company") financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its result and cash flows for the period starting 28 September 2016, then ended ("the period");
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and accounts (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2017; the Cash Flow Statement and the Statement of Changes in Equity for the period; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company, its parent undertakings or significant affiliates.

Other than those disclosed in Note 3 to the financial statements, we have provided no non-audit services to the Company in the period.

Our audit approach

Overview

<table>
<tr><td rowspan="3">
</td><td>Overall materiality: £200,000 based on 1% of total assets.</td></tr>
<tr><td>The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment and other qualitative factors.
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the accounting processes and controls and the industry in which the Company operates.
The Company was established in the period and has yet to commence operations. There have been limited activities to date.
The scope of our work comprises a statutory audit of the Company's financial statements, opining on whether they have been properly prepared in accordance with the relevant accounting framework (IFRSs as adopted by the European Union) and the Companies Act 2006.</td></tr>
<tr><td>The area of focus for our audit which involved the greatest allocation of our resources and effort was Related Party Transactions Accounting and Disclosure. This was discussed with the Audit Committee as part of our audit plan communicated in January 2018. This was the key audit matter for discussion at the conclusion of our audit and is discussed in more detail in this report.</td></tr>
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Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the Company's financial statements, including but not limited to, the Companies Act 2006 and the Prudential Regulation Authority's regulations. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of minutes of board and committee meetings and enquiries of management.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£200,000
How we determined it	1% of total assets
Rationale for benchmark applied	Total assets is an appropriate measure as, while the Company has been established and has raised equity, it has not commenced operations in the period.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £10,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

The Company was established on 28 September 2016 and has a first accounting period to 31 December 2017. The Company was established in anticipation of obtaining a banking licence and had not yet commenced operations at the period end.

Key audit matters

Key audit matters are those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Related Party Transactions Accounting and Disclosure The costs incurred by Lloyds Banking Group plc in setting up and supporting the Company in the period have not been recharged to the Company. We have therefore evaluated the accounting treatment adopted, and the adequacy of the disclosure made in respect of these arrangements.	We reviewed and challenged management's assessment of the relevant services and costs and their evaluation as to whether they are related party transactions that require disclosure. We considered whether the arrangements should have been given an alternate accounting treatment and whether the disclosures are appropriate. Based on the evidence obtained and the work performed, we are satisfied that the accounting treatment and disclosures are appropriate.

Going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements (Companies Act 2006).

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 28 October 2016 to audit the financial statements for the period ended 31 December 2017 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Darren Meek (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 March 2018

Statement of financial position

As at 31 December 2017

	Note	As at 31 December 2017 £'000
ASSETS		
Cash and cash equivalents	7	**20,050**
Total assets		**20,050**
EQUITY		
Share capital	6	**20,050**
Retained earnings		**-**
Total equity		**20,050**
Total equity and liabilities		**20,050**

The accompanying notes to the financial statements are an integral part of these financial statements.

The financial statements were approved by the board of directors and were signed on its behalf by:

P J Piers
Director
22 March 2018

Statement of changes in equity

For the period ended 31 December 2017

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 28 September 2016	-	-	-
Issue of share capital	20,050	-	20,050
At 31 December 2017	**20,050**	**-**	**20,050**

The accompanying notes to the financial statements are an integral part of these financial statements.

Cash flow statement

For the period ended 31 December 2017

	For the period ended 31 December 2017 £'000
Cash flows generated from financing activities	
Issue of share capital	**20,050**
Net cash generated from financing activities	**20,050**
Change in Cash and cash equivalents	**20,050**
Cash and cash equivalents at beginning of the period	**-**
Cash and cash equivalents at end of period	**20,050**
Cash and cash equivalents comprise	
Cash at bank	**20,050**

The accompanying notes to the financial statements are an integral part of these financial statements.

Notes to the financial statements

For the period ended 31 December 2017

1. Accounting policies

1.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006. IFRS comprises accounting standards prefixed IFRS issued by the International Accounting Standards Board (IASB) and those prefixed IAS issued by the IASB's predecessor body as well as interpretations issued by the IFRS Interpretations Committee (IFRS IC) and its predecessor body. The EU endorsed version of IAS 39 Financial Instruments: Recognition and Measurement relaxes some of the hedge accounting requirements; the Company has not taken advantage of this relaxation, and therefore there is no difference in application to the Company between IFRS as adopted by the EU and IFRS as issued by the IASB. The financial information has been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, trading securities and certain other financial assets and liabilities at fair value through profit or loss and all derivative contracts.

The going concern of the Company is dependent on successfully funding its balance sheet and maintaining adequate levels of capital. In order to satisfy themselves that the Company has adequate resources to continue to operate for the foreseeable future, the directors have considered a number of key dependencies and have considered projections for the Company's capital and funding position. Taking all of these factors into account, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2017 and which have not been applied in preparing these financial statements are given in note 11. No standards have been early adopted.

A Statement of comprehensive income has not been presented in these financial statements as this would show £nil amounts for the period.

1.2 Financial assets and liabilities

Financial assets comprise Cash and cash equivalents. The Company has no financial liabilities.

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognised when the rights to receive cash flows, or obligations to pay cash flows, have expired.

2. Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions. These assumptions can affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although those estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

There are no significant estimates or judgements that have been used in the preparation of these financial statements.

3. Other operating expenses

Fees payable to the Company's auditors for the audit of the financial statements of £37,500 and for non-audit assurance services of £10,000 are borne by a fellow group company and not recharged to the Company.

4. Staff costs

The Company did not have any employees during the period.

5. Directors' emoluments

The directors' emoluments payable for services provided to the Company are set out below.

	2017 £'000
Executive directors	**202**
Non-Executive directors	**213**
	415
Highest paid director:	**105**

All amounts were paid by other Group companies and have not been charged to the Company.

6. Share capital

	As at 31 December 2017 £'000
Allotted, issued and fully paid	
20,050,000 ordinary shares of £1 each	**20,050**

Share capital and control

There are no restrictions on the transfer of shares in the Company other than as set out in the articles of association, and certain restrictions which may from time to time be imposed by law and regulations (for example, insider trading laws).

Ordinary shares

The holder of the ordinary shares, who held 100 per cent of the total ordinary share capital at 31 December 2017, is entitled to receive the Company's report and accounts, attend, speak and vote at general meetings and appoint proxies to exercise voting rights. The holder of the ordinary shares may also receive a dividend (subject to the provisions of the Company's articles of association) and on a winding up may share in the assets of the Company.

7. Related party transactions

During the period, related entities within the Lloyds Banking Group have borne the costs associated with establishing the Company and providing it with administrative support and directors' services. These costs have not been charged to the Company. Disclosures related to directors' emoluments are included in Note 5.

At year-end, the Company had the following balance on deposit with Lloyds Bank plc, which was on normal commercial terms.

	As at 31 December 2017 £'000
Cash and cash equivalents held with group undertakings	
Lloyds Bank plc	**20,050**

8. Capital disclosures

Capital is actively managed at an appropriate level of frequency. Regulatory ratios are a key factor in budgeting and planning processes with updates of expected ratios reviewed regularly by the Asset and Liability Committee. Capital raised takes account of evolving regulatory requirements, expected growth and currency of risk assets. Capital policies and procedures are subject to independent oversight.

The Company measures the amount of capital it holds using the regulatory framework defined by the Capital Requirements Directive and Regulation (CRD IV) as implemented in the UK through Prudential Regulation Authority (PRA) policy statement PS7/13.

The minimum amount of capital required to be held by the Company under the capital regulations is the higher of the initial capital limit of €5 million (£4.4 million as at 31 December 2017) and the Company's Pillar 1 capital requirement, being 8 per cent of the Company's risk weighted assets calculated in respect of credit risk, counterparty credit risk, operational risk and market risk. As at 31 December 2017 the initial capital limit exceeded the Company's Pillar 1 capital requirement.

Under the regulatory framework Pillar 1 is supplemented through additional requirements under Pillar 2A which is set by the PRA. The Company is currently subject to a Pillar 2A capital requirement of £6.5m.

A range of additional bank specific regulatory capital buffers apply under CRD IV. These include a capital conservation buffer of 1.25 per cent of risk-weighted assets (increasing to 2.5 per cent by 2019) and a time-varying countercyclical capital buffer which is currently 0 per cent for the Company. Other capital buffers do not currently apply to the Company as they are either not applicable or are applied at the discretion of the regulator.

During the period to 31 December 2017 the Company complied with all regulatory capital requirements.

Regulatory capital development

The regulatory framework within which the Company operates continues to be developed at a global level through the Financial Stability Board (FSB) and Basel Committee on Banking Supervision (BCBS), at a European level mainly through the European Commission (EC) and the issuance of CRD IV technical standards and guidelines by the European Banking Authority (EBA) and within the UK by the PRA and through directions from the Financial Policy Committee (FPC). The Company continues to monitor these developments very closely, analysing potential capital impacts to ensure it continues to maintain a strong capital position that exceeds the minimum regulatory requirements and the Company's risk appetite and is consistent with market expectations.

Notes to the financial statements (continued)

For the period ending 31 December 2017

8. Capital disclosures (continued)

Capital resources

The Company's capital resources comprise entirely of shareholders' equity which represents the strongest form of capital and is categorised as common equity tier 1 capital.

The Company's CRD IV capital resources are:

	As at 31 December 2017 £'000
Common equity tier 1 capital	**20,050**

9. Contingent liabilities and capital commitments

There were no contingent liabilities at the balance sheet date. During 2018 relevant activities associated with the setup of the Company are expected to be transferred and such transfers are expected to be funded by borrowings from other group undertakings.

10. Post balance sheet events

The Company issued a further £100,000,000 of ordinary share capital on 19 January 2018.

11. Future developments

The following pronouncements will be relevant to the Company but were not effective at 31 December 2017 and have not been applied in preparing these financial statements.

Pronouncement	**Nature of change**	**Effective date**
IFRS 9 'Financial Instruments'	Replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit or loss, fair value through other comprehensive income and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. IFRS 9 also replaces the existing 'incurred loss' impairment approach with an expected credit loss approach. The hedge accounting requirements of IFRS 9 are more closely aligned with risk management practices and follow a more principle based approach than IAS 39.	Annual periods beginning on or after 1 January 2018
IFRS 15 'Revenue from Contracts with Customers'	Replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 establishes principles for reporting useful information about the nature, amount and uncertainty of revenue and cash flows arising from an entity's contracts with customers.	Annual periods beginning on or after 1 January 2018
Amendments to other accounting standards	The IASB has issued amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions' and IAS 40: 'Transfers of Investment Property'.	Annual periods beginning on or after 1 January 2018
	The IASB has issued amendments to IAS 12 Income Taxes and IFRIC 23 Uncertainty over Income Tax Treatments.	Annual periods beginning on or after 1 January 2019

The full impact of future adoption of these pronouncements is being assessed by the Company. Adoption would not cause any material adjustments to the reported numbers in these financial statements.

12. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking and ultimate parent undertaking and controlling party is Lloyds Banking Group plc, which is incorporated in Scotland. Copies of the consolidated annual report and accounts of Lloyds Banking Group plc may be obtained from Lloyds Banking Group's head office at 25 Gresham Street, London EC2V 7HN or downloaded via www.lloydsbankinggroup.com.