Lloyds Bank Subsidiaries Limited

Annual report and financial statements for the year ended 31 December 2020

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

00117008

Current Directors

P R Grant
D J Joyce

Company Secretary

P Gittins

Member of Lloyds Banking Group

Strategic report

For the year ended 31 December 2020

The directors present their Strategic report and the audited financial statements of Lloyds Bank Subsidiaries Limited (the "Company") for the year ended 31 December 2020.

Business overview

The Company acted as an intermediate holding company for its four subsidiaries during the year ended 31 December 2020. It did not act in any other capacity.

The Company's results for the year ended 31 December 2020 show a profit before tax of £6m (2019: £30m), principally comprising interest income. Net assets at 31 December 2020 were £3,317m (2019: £3,312m).

In 2019 one of the Company's subsidiaries, Lime Street (Funding) Limited, was placed in liquidation. In 2020 £140m of share capital was refunded to the Company by Lime Street (Funding) Limited and the carrying value of the investment was reduced accordingly. The carrying value of the investment is supported by the Group and will be repaid as a final distribution after the liquidation process is completed.

Future outlook

The Directors consider that the Company will continue to act as a holding company for the foreseeable future.

The effects on the UK, European and global economies following the UK’s exit from the EU and the impact of the EU-UK Trade and Cooperation Agreement signed on 30 December 2020 (the “EU-UK TCA”) remain difficult to predict but may include economic and financial instability, constitutional instability in the UK and other types of risks that could adversely impact the business of the Company, results of operations, financial condition and prospects. In the event of any further substantial weakening in the UK’s economic growth, the possibility of decreases in interest rates by the Bank of England or sustained low or negative interest rates would put further pressure on the Company’s interest margins and potentially adversely affect its profitability and prospects. However, limited impact is anticipated for the Company, due to the minimal operations within the Company as at 31 December 2020.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for the Lloyds Banking Group and are not managed separately for the Company. Further details of the Company’s and Lloyds Banking Group's risk management policy are contained in note 15 to the financial statements.

The global pandemic from the outbreak of COVID-19 continues to cause widespread disruption to normal patterns of business activity across the world, including in the UK, and volatility in financial markets. Measures taken to contain the health impact of the COVID-19 pandemic have resulted in an adverse impact on economic activity across the world and the duration of these measures remains uncertain. Monetary policy loosening has supported asset valuations across many financial markets, but longer-term impacts on inflation, interest rates, credit spreads, foreign exchange rates and commodity, equity and bond prices remain unclear. The Company's Directors have considered the actual and potential impacts of COVID-19 and the UK government's responses to the pandemic on the activities of the Company and have concluded that there will be no material impact for the Company.

Climate Change

As a subsidiary of Lloyds Banking Group, the Company is aligned with Lloyds Banking Group’s approach to supporting the successful transition to a more sustainable, low carbon economy. Further details of this can be found in the Lloyds Banking Group Annual Report and Accounts via www.lloydsbankinggroup.com. There is expected to be minimal impact upon the Company.

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the Company’s irectors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Section 172(1) Statement

In accordance with the Companies Act 2006 (the "Act"), for the year ended 31 December 2020, the directors provide the following statement describing how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Company under section 172.

Section 172(1) Statement and Statement of Engagement with Other Stakeholders

The Board is collectively responsible for the long-term success of the Company. Understanding the interests of key stakeholders (this includes customers, shareholders, communities and environment, regulators and suppliers), is central to the Company’s strategy, crucial to the Company’s success, and informs key aspects of Board decision making as set out in this Statement.

Strategic report (continued)
For the year ended 31 December 2020

Section 172(1) Statement (continued)

Stakeholder engagement is embedded in all aspects of the Board's decision making. Management provide the Board with details of material stakeholder interaction and feedback, through regular business updates. Stakeholder interests are also identified by management in the wider proposals put to the Board.

During 2020, interaction with stakeholders was adapted in response to the Government's provisions on COVID-19 and has been undertaken virtually as necessary.

In accordance with the Companies Act 2006 (the "Act") (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the Directors provide this Statement describing the ways in which they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Company under section 172. Further details on key actions in this regard are also contained within the Directors' Report on page 3.

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), this Statement also provides examples of how the Directors have engaged with and had regard to the interest of key stakeholders. The Company is a subsidiary of Lloyds Banking Group, and as such follows many of the processes and practices of Lloyds Banking Group, which are further referred to in this statement where relevant.

Shareholders

The Company is a wholly owned subsidiary of Lloyds Bank plc. As a wholly owned subsidiary, the Directors ensure that the strategy, priorities, processes and practices of the Company are fully aligned where required to those of Lloyds Bank plc, ensuring that the interests of Lloyds Bank plc as the Company's sole shareholder are duly acknowledged. Further information in respect of the relationship of Lloyds Bank plc with its shareholders is included within the Strategic Report within the Lloyds Banking Group plc Annual Report and Accounts for 2020, which does not form part of this report, available on the Lloyds Banking Group plc website.

Communities and the Environment

The Company is part of Lloyds Banking Group, one of the largest financial services providers in the UK whose goals are to be a trusted, sustainable, and responsible business.

The Responsible Business Committee of the Board of Lloyds Banking Group plc is responsible for overseeing its performance, including that of the Company, as a Responsible Business, and has given much focus to overseeing the development of the Lloyds Banking Group's Helping Britain Recover plan. This plan continues its strategy of Helping Britain Prosper ambitions, designed to play a part in the UK's recovery from the COVID-19 pandemic. The views of stakeholders have also informed the Responsible Business Committee's role in the development of Lloyds Banking Group plc's Society of the Future ambitions, which aim to fully integrate its societal objectives, with its business objectives, and will be key in the next phase of its strategy, including that of the Company's strategy where appropriate.

Environmental ambitions

The Company's strategy in relation to Environmental Ambitions is covered in the Climate Change section commencing on page 1 of this report.

How stakeholder interest has influenced decision making

The Directors' acknowledge that one of the primary responsibilities of the Board is to ensure that the strategy of the Company, as aligned to that of Lloyds Banking Group plc, is to effectively manage the Company to generate sustainable returns, central to which is ensuring engagement with stakeholders, and considering in all instances the long-term implications of decisions made, acting at all times to maintain the highest possible standards of conduct.

Approved by the board of Directors and signed on its behalf by:

J. Joyce

D J Joyce
Director

9 August 2021

Directors' report

For the year ended 31 December 2020

The Directors present their annual report for the year ended 31 December 2020.

General information

The Company is a private company limited by shares, incorporated in the United Kingdom, registered in England and Wales and domiciled in England (registered number: 00117008).

The Company continues to act as a holding company for a number of companies within the Lloyds Banking Group (the "Group"). A full list of the Company's subsidiaries is shown in note 11.

Dividends

No dividends were paid or proposed during the year ended 31 December 2020 (2019: £nil).

Going concern

The Company has a net asset position, and there are no future obligations which would impact its ability to continue as a going concern. Further, in the event of any unforeseen circumstances, the Directors are satisfied that it is the intention of Lloyds Banking Group plc ("LBG") that its subsidiaries, including the Company, will continue to have access to adequate liquidity and capital resources for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

Directors

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

There have been no changes to Directors between the beginning of the reporting period and the approval of the Annual report and financial statements.

Information included in the Strategic report

The disclosures for Principal risks and uncertainties, Future outlook and Key performance indicators that would otherwise be required to be disclosed in the Directors' report can be found in the Strategic report on page 1.

Directors' indemnities

Lloyds Banking Group plc has granted to the directors of the Company a deed of indemnity through deed poll which constitutes ‘qualifying third party indemnity provisions’ for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements. The indemnity remains in force for the duration of a Director's period of office. The deed indemnifies the Directors to the maximum extent permitted by law. The deed for existing Directors is available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate Directors and officers liability insurance cover which was in place throughout the financial year.

Statement of Directors’ responsibilities in respect of the financial statements

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 year. Under that law the Directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, 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 international accounting standards in conformity with the requirements of the Companies Act 2006 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.

Directors' report (continued)
For the year ended 31 December 2020

Statement of Directors' responsibilities in respect of the financial statements (continued)

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 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.

Directors' confirmations

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.

Pursuant to section 487(2) of the Companies Act 2006, the auditors of Lloyds Bank Subsidiaries Limited are deemed re-appointed for each financial year unless the Directors of the Company resolve to terminate their appointment. Following the completion of a tender process, Deloitte LLP are to be appointed as auditors of the Lloyds Bank Subsidiaries Limited for accounting periods ending on or after 31 December 2021.

This report has been prepared in accordance with section 414 of the Companies Act 2006.

Approved by the board of Directors and signed on its behalf by:

D J Joyce
Director

9 August 2021

Statement of comprehensive income

For the year ended 31 December 2020

	Note	**2020 £m**	2019 £m
Interest income		**6**	26
Net interest income	3	**6**	26
Dividends received from subsidiary, associated and other undertakings	4	**-**	4
Profit before tax		**6**	30
Taxation	8	**(1)**	(5)
Profit for the year, being total comprehensive income		**5**	25

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

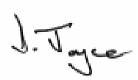
Balance sheet

As at 31 December 2020

	Note	**2020 £m**	2019 £m
ASSETS			
Trade and other receivables	10	**3,318**	3,172
Investment in subsidiary undertakings	11	**10**	150
Investment in associated and other undertakings	11	**1**	1
Total assets		**3,329**	3,323
LIABILITIES			
Trade and other payables	12	**6**	6
Current tax liability		**6**	5
Total liabilities		**12**	11
EQUITY			
Share capital	13	**2,614**	2,614
Retained earnings		**703**	698
Total equity		**3,317**	3,312
Total equity and liabilities		**3,329**	3,323

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

The financial statements on pages 5 to 18 were approved by the Board of Directors on 9 August 2021 and signed on its behalf by



D J Joyce
Director

9 August 2021

Statement of changes in equity

For the year ended 31 December 2020

	Share capital	Retained earnings	Total equity
	£m	£m	£m
At 1 January 2019	2,614	673	3,287
Profit for the year being total comprehensive income	-	25	25
At 31 December 2019	**2,614**	**698**	**3,312**
Profit for the year being total comprehensive income	-	5	5
At 31 December 2020	**2,614**	**703**	**3,317**

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

Cash flow statement

For the year ended 31 December 2020

	2020 £m	2019 £m
Cash flows used in operating activities		
Profit before tax	**6**	30
Adjustments for:		
- Income from shares in subsidiary, associated and other undertakings	**-**	(4)
- Interest income	**(6)**	(26)
Cash generated from operations	**-**	-
Tax paid	**-**	(3)
Net cash used in operating activities	**-**	(3)
Cash flows generated from investing activities		
Dividends received from subsidiary, associated and other undertakings	**-**	4
Interest income	**6**	26
Net cash generated from investing activities	**6**	30
Cash flows used in financing activities		
Increase in net lending to group undertakings	**(6)**	(27)
Net cash used in financing activities	**(6)**	(27)
Change in cash and cash equivalents	**-**	-
Cash and cash equivalents at beginning of year	**-**	-
Cash and cash equivalents at end of year	**-**	-

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

Notes to the financial statements
For the year ended 31 December 2020

1. Accounting policies

1.1 Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in both years presented, unless otherwise stated.

These financial statements comply with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial information has been prepared under the historical cost convention. As stated below, the Directors consider that it is appropiate to adopt the going concern basis in preparing the financial statements.

In preparation of these financial statements the Balance sheet has been arranged in order of liquidity. Analysis of the assets and liabilities of the Company, into amounts expected to be received or settled within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current), is presented in the notes, where required.

The following new IFRS pronouncements relevant to the Company has been adopted in these financial statements:

(i) Amendments to IAS1 and IAS8: The IASB has made amendments to IAS1 Presentation of Financial Statements and IAS8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify:
• that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
• the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

(ii) The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:
• increasing the prominence of stewardship in the objective of financial reporting
• reinstating prudence as a component of neutrality
• defining a reporting entity, which may be a legal entity, or a portion of an entity
• revising the definitions of an asset and a liability
• removing the probability threshold for recognition and adding guidance on derecognition
• adding guidance on different measurement basis, and
• stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.
No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2020 and which have not been applied in preparing these financial statements are given in note 18. No standards have been early adopted.

These financial statements contain information about the Company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemptions under IFRS 10 Consolidated Financial Statements and Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The Company and its subsidiaries are included in the consolidated financial statements of the Company's ultimate parent company.

The financial statements have been prepared on a going concern basis. There is a net assets position of £3,317m as at 31 December 2020 (2019: £3,312m), and the Company does not have any material external debts.

The Company has a net asset position, and there are no future obligations which would impact its ability to continue as a going concern. Further, in the event of any unforeseen circumstances, the Directors are satisfied that it is the intention of Lloyds Banking Group plc ("LBG") that its subsidiaries, including the Company, will continue to have access to adequate liquidity and capital resources for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

The Company is out of scope of Streamlined Energy and Carbon Reporting (SECR), as it does not meet the numerical thresholds in relation to turnover and number of employees.

Notes to the financial statements (continued)

For the year ended 31 December 2020

1. Accounting policies (continued)

1.2 Income recognition

Foreign currency

The financial statements are presented in Sterling which is the Company's functional and presentation currency. Foreign currency transactions are translated into Sterling at the exchange rate prevailing at the date of the transaction. Exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of comprehensive income.

Exchange gains and losses arising from the translation of monetary assets and liabilities at the exchange rate prevailing at the Balance sheet date are recognised in the Statement of comprehensive income.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Income and expense from financial instruments

Interest income and expense are recognised in the Statement of comprehensive income for all interest bearing financial instruments using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense to a period of account. The effective interest rate is the rate that discounts the estimated future cash payments or receipts over the expected life of the instrument to the net carrying amount of the financial asset or financial liability.

1.3 Financial assets and 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.

Financial assets comprise Amounts due from group undertakings. Financial liabilities comprise Amounts due to group undertakings. The contractual cashflows represent solely payments of principal and interest and so these balances are stated at amortised cost.

1.4 Impairment of Amounts due from group undertakings

On initial recognition, a provision is made for expected credit losses resulting from default events that are possible within the next 12 months. In the event of a significant increase in credit risk since origination, the provision is increased to reflect expected credit losses from all possible default events over the expected life of the balance.

1.5 Cash and cash equivalents

For the purposes of the Balance sheet and Cash flow statement, Cash and cash equivalents comprise balances with less than three months' maturity.

1.6 Taxation

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited in the Statement of Comprehensive Income except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside the Statement of Comprehensive Income (either in other comprehensive income, directly in equity, or through a business combination), in which case the tax appears in the same statement as the transaction that gave rise to it.

Current tax is the amount of corporate income taxes expected to be payable or recoverable based on the profit for the period as adjusted for items that are not taxable or not deductible, and is calculated using tax rates and laws that were enacted or substantively enacted at the balance sheet date.

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by Her Majesty's Revenue and Customs (HMRC) or other relevant tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each balance sheet date, and the provisions are re-measured as required to reflect current information.

1.7 Impairment of Investment in subsidiary, associated and other undertakings

Investment in subsidiary undertakings and Investment in associated and other undertakings are stated in the Balance sheet at cost less any provision for impairment.

Investment in subsidiary undertakings is reviewed for impairment losses at the end of each period and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of comprehensive income for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net realisable value and value in use. For the purposes of assessing impairment, investments are grouped at the lowest level at which cash flows are separately monitored by management.

Notes to the financial statements (continued)

For the year ended 31 December 2020

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 that 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.

The following are critical accounting judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Impairment of Investment in subsidiary undertakings

Where the recoverable amount of the Company's investments in subsidiary undertakings is considered to be less than the carrying value an impairment charge is recognised equal to the difference between the carrying value and the recoverable amount. Impairment provisions of £4m (2019: £4m) were held at 31 December 2020.

3. Net interest income

	2020 £m	2019 £m
Interest income		
Group interest income (see notes 10 and 14)	**6**	26
Net interest income	**6**	26

4. Dividends received from subsidiary, associated and other undertakings

	2020 £m	2019 £m
Lime Street (Funding) Limited	**-**	4
	-	4

5. Other operating expenses

Fees payable to the Company's auditors for the audit of the financial statements of £15,000 (2019: £15,000) have been borne by a fellow group undertaking and are not recharged to the Company.

6. Staff costs

The Company did not have any employees during the year (2019: none).

7. Directors' emoluments

No Director received any fees or emoluments from the Company during the year (2019: £nil). The directors are employed by other companies within the Group and consider that their services to the Company are incidental to their other responsibilities within the Group (see also note 14).

Notes to the financial statements (continued)
For the year ended 31 December 2020

8. Taxation

	2020 £m	2019 £m
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax on taxable profit for the year	**1**	5
Current tax charge	**1**	5
Tax charge	**1**	5

Corporation tax is calculated at a rate of 19.00% (2019: 19.00%) of the taxable profit for the year.

b) Factors affecting the tax charge for the year

A reconciliation of the charge that would result from applying the standard UK corporation tax rate to the profit before tax to the actual tax charge for the year is given below:

	2020 £m	2019 £m
Profit before tax	**6**	30
Tax charge thereon at UK corporation tax rate of 19.00% (2019: 19.00%)	**1**	6
Factors affecting charge:		
- Non-taxable dividend income, including preference dividends	**-**	(1)
Tax charge on profit	**1**	5
Effective rate	**19.00%**	16.67%

9. Dividends

No ordinary dividends were paid or proposed during the year ended 31 December 2020 (2019: £nil).

10. Trade and other receivables

	2020 £m	2019 £m
Amounts due from group undertakings (see note 14)	**3,318**	3,172
	3,318	3,172

Amounts due from group undertakings are due from Lloyds Bank plc, repayable on demand, and interest is earned at the 1 month SONIA rate.

Notes to the financial statements (continued)

For the year ended 31 December 2020

11. Investment in subsidiary, associated and other undertakings

	Investment in subsidiary undertakings	Investment in associated and other undertakings	Total
	£m	£m	£m
Cost			
Cost at 1 January 2020	154	1	155
Repayment of share capital	(140)	-	(140)
At 31 December 2020	14	1	15
Provision for impairment			
Provision at 1 January 2020	4	-	4
Provision at 31 December 2020	4	-	4
Carrying value of investments at 31 December 2020	**10**	**1**	**11**
Carrying value of investments at 31 December 2019	150	1	151

Investment in subsidiary, associated and other undertakings is stated at cost less impairment. As permitted by section 611 of the Companies Act 2006, where the relief afforded under section 612 of the Companies Act 2006 applies, cost is the aggregate of the nominal value of the relevant number of the Company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiaries.

The subsidiary, associated and other undertakings which were held throughout 2020 and 2019 were:

	Company interest	Principal activities	Registered Address
Direct subsidiary undertakings			
Lloyds Offshore Global Services Private Limited	100.00%	Business support	6/12, Primrose Road, Bangalore, 560025, India
Lloyds TSB Pacific Limited	100.00%	Financial services	18th Floor, United Centre, 95 Queensway, Hong Kong
Indirect subsidiary undertakings			
Lloyds Far East Sarl	100.00%	Nominee services	17 Boulevard F.W., Raiffeisen L-2411, Luxembourg
Other undertakings			
Cardnet Merchant Services Limited	1.08%	Transaction services	25 Gresham Street, London, EC2V 7HN

The subsidiary undertakings that were in Members' voluntary liquidation at 31 December 2020 were:

	Company interest	Principal activities	Registered Address
Subsidiary undertakings in liquidation			
Lime Street (Funding) Limited	100.00%	Investment holding company	1 More London Place, London, SE1 2AF

The liquidation process for Lime Street (Funding) Limited is still ongoing as at the date of these financial statements. Our current expectation is that the carrying value of the investment will be realised.

The country of incorporation is the same as the registered address and also the area of operation for each of the above subsidiary, associated and other undertakings.

Notes to the financial statements (continued)

For the year ended 31 December 2020

12. Trade and other payables

	2020 **£m**	2019 £m
Amounts due to group undertakings (see note 14)	**6**	6

Amounts due to group undertakings are unsecured, non-interest bearing and repayable on demand, although there is no expectation that such a demand would be made.

13. Share capital

	2020 **£**	2019 **£**
Allotted, issued and fully paid		
2,613,861,429 ordinary shares of £1 each	**2,613,861,429**	2,613,861,429

14. Related party transactions

The Company's immediate parent undertaking is Lloyds Bank plc, a Company registered in the United Kingdom. The parent undertaking which is the parent undertaking of the smallest group to consolidate these financial statements is Lloyds Bank plc. Copies of the consolidated Annual Report and Accounts of Lloyds Bank plc may be obtained from Company Secretariat at 25 Gresham Street, London, EC2V 7HN.

The ultimate parent undertaking and controlling party is Lloyds Banking Group plc which is the parent undertaking of the largest group to consolidate these financial statements. Copies of the consolidated Annual Report and Accounts of Lloyds Banking Group may be obtained from Lloyds Banking Group's head office at 25 Gresham Street, London EC2V 7HN or downloaded via www.lloydsbankinggroup.com.

				2020 **£m**	2019 £m
Amounts due from group undertakings					
Nature of transaction	**Related party**	**Repayment**	**Interest**		
Amounts due from group undertakings	Lloyds Bank plc (see note 10)	No fixed date	1 month SONIA	**3,318**	3,172
Amounts due to group undertakings					
Nature of transaction	**Related party**	**Repayment**	**Interest**		
Amounts due to group undertakings	Lloyds Bank plc (see note 12)	No fixed date	N/A	**6**	6
Group interest income					
Nature of transaction	**Related party**				
Interest receivable on amount due from other group companies	Lloyds Bank plc (see note 3)			**6**	26
Income from shares in subsidiary, associated and other undertakings					
Nature of transaction	**Related party**				
Interim dividend received from subsidiary	Lime Street (Funding) Limited			**-**	4
Total dividend income (see note 4)				**-**	4

The above balances are unsecured in nature. Transactions in the year are those reflected through the Statement of comprehensive income.

In addition, during the year ended 31 December 2020 the Company received £140 million by way of a return of capital from its subsidiary, Lime Street (Funding) Limited, which is in liquidation (see note 11).

14. Related party transactions (continued)

The registered offices of related parties are noted below:

Related party	**Related party relationship**	**Registered address**
Lloyds Bank plc	Parent company	25 Gresham Street, London EC2V 7HN
Lime Street (Funding) Limited	Subsidiary company	1 More London Place, London, SE1 2AF

Key management personnel

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company. Accordingly, key management is comprised of the Directors of the Company, the Directors of Lloyds Bank plc and the members of the Lloyds Banking Group plc board. There were no transactions between the Company and key management personnel during the current or preceding year. Key management personnel are employed by other companies within the Group and consider that their services to the Company are incidental to their other activities within the Group.

15. Financial risk management

The Company's operations expose it to credit risk, liquidity risk, interest rate risk, foreign exchange risk and business risk; it is not exposed to any significant market risk. Responsibility for the control of overall risk lies with the board of Directors, operating within a management framework established by Lloyds Bank plc, and the ultimate parent, Lloyds Banking Group plc. The interest rate and liquidity risk faced by the Company is in substance managed and borne by other Group undertakings which fund the Company. Business risk is managed through regular reporting and oversight.

A description of the Company's financial assets/liabilities and associated accounting is provided in note 1.

15.1 Credit risk

Credit risk management

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Company's financial assets include no amounts past due or credit impaired and the balances are considered to be of high credit quality, therefore the Directors do not consider that the Company has any significant exposure to credit risk.

The maximum credit risk exposure of the Company in the event of other parties failing to fulfil their obligations is considered to be the carrying amount of Amounts due from group undertakings, totalling £3,318m (2019: £3,172m).

The current long-term rating of Lloyds Bank plc, is A1 as per Moody's (2019: Aa3). Given this credit rating, management does not expect this counterparty to fail to meet its obligations.

15.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. To manage this risk extensive borrowing facilities are available from within the Group.

Liquidity risks are managed as part of the Group by the parent company, Lloyds Bank plc, in consultation with the board of Directors. Monthly reviews of funding positions are undertaken to anticipate any shortfalls.

The Company is funded entirely by companies within the Group. The table below analyses the liabilities of the Company on an undiscounted future cash flows basis into relevant maturity groupings based upon their expected maturity at the balance sheet date.

As at 31 December 2020

	Up to 1 month £m	**1-3 months £m**	**3-12 months £m**	**1-5 years £m**	**Total £m**
Amounts due to group undertakings	**6**	**-**	**-**	**-**	**6**
Current tax liability	**6**	**-**	**-**	**-**	**6**
	12	**-**	**-**	**-**	**12**

As at 31 December 2019

	Up to 1 month £m	1-3 months £m	3-12 months £m	1-5 years £m	Total £m
Amounts due to group undertakings	6	-	-	-	6
Current tax liability	5	-	-	-	5
	11	-	-	-	11

15. Financial risk management (continued)

15.3 Interest rate risk

Interest rate risk is the risk of financial loss as a result of adverse movements in interest rates, and arises largely because of timing differences between the repricing of financial assets and liabilities. Interest rate risk is managed at a divisional level, however the Company is exposed to interest rate fluctuations due to factors outside of the Company's control, and as a result a sensitivity analysis has been prepared to illustrate the impact of a change in the rates.

Interest rate risk - sensitivity analysis

The sensitivity analysis is based on the Company's amounts due from Lloyds Bank plc and takes account of movement in the 1 month SONIA (2019: 3 month LIBOR rate) which is the basis for the interest rate on intercompany balances. A 0.52% (2019: 0.15%) increase or decrease is used to assess the possible change in Interest income. This rate is appropriate as this is the amount by which the average 1 month SONIA (2019: 3 month LIBOR) has changed in the year.

If the SONIA (2019: LIBOR) increased by 0.52% (2019: 0.15%) and other variables remain constant this would increase Interest income by £17,000,000 (2019: £5,000,000) and accordingly decrease Interest income by £17,000,000 (2019: £5,000,000) if the average 1 month SONIA (2019: 3 month LIBOR) rate decreased by the same amount.

15.4 Business risk

Business risk is the risk that the Company's earnings are adversely impacted by a suboptimal business strategy or the suboptimal implementation of the strategy. In assessing business risk consideration is given to internal and external factors such as products, funding, resource capability and economic, political and regulatory factors.

Through regular reports and oversight business risk is managed by corrective actions to plans and reductions in exposures where necessary.

15.5 Foreign exchange risk

Foreign exchange risk arises on investments and borrowings denominated in a currency other than Sterling. The Company's exposure to foreign exchange risk is considered to be insignificant in the year ended 31 December 2020. The Company was exposed to some residual foreign exchange rate fluctuations, however, as at 31 December 2020, the exposure was £nil.

15.6 Financial strategy

The Company does not trade in financial instruments, nor does it use derivatives.

15.7 Fair values of financial assets and liabilities

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The directors consider that there are no significant differences between the carrying amounts shown in the Balance sheet and the fair value.

16. Capital disclosures

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, provide an adequate return to its shareholders through pricing products and services commensurately with the level of risk and, indirectly, to support the Group's regulatory capital requirements.

The Company's parent manages the Company's capital structure and advises the board of directors to consider making adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the board of Directors may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares, or sell assets.

The Company's capital comprises all components of equity, movements in which appear in the Statement of changes in equity. The Company receives its funding requirements from its fellow group undertakings and does not raise funding externally.

17. Contingent liabilities and capital commitments

There were no contracted capital commitments at the Balance sheet date (2019: £nil).

The Group has an open matter in relation to a claim for group relief of losses incurred in its former Irish banking subsidiary, which ceased trading on 31 December 2010. In 2013 HMRC informed the Group that its interpretation of the UK rules means that the group relief is not available. In 2020, HMRC concluded their enquiry into the matter and issued a closure notice. The Group's interpretation of the UK rules has not changed and hence it has appealed to the First Tier Tax Tribunal, with a hearing expected in early 2022. If the final determination of the matter by the judicial process is that HMRC's position is correct, management estimate that this would result in an increase in current tax liabilities for the Company of approximately £27,161,000 (including interest). The Group, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due.

18. Future developments

The following pronouncements are relevant to the Company's financial statements but are not applicable for the year ended 31 December 2020 and have not been applied in preparing these financial statements. Except as disclosed below, the full impact of these accounting changes is being assessed by the Company. However, the initial view is that this is not expected to cause any material adjustments to the reported numbers in the financial statements.

Pronouncement	**Nature of change**	**Effective date**
Minor amendments to other accounting standards	The IASB has issued a number of minor amendments to IFRSs effective 1 January 2021 and 1 January 2022 (including IFRS 9 Financial Instruments and IAS 37 Provisions, Contingent Liabilities and Contingent Assets).	1 January 2021 and 1 January 2022

There are no other standards or interpretations that are not yet effective and that would be expected to have a material impact on the Company.

Independent Auditors' report to the members of Lloyds Bank Subsidiaries Limited

Report on the audit of the financial statements

Opinion

In our opinion, Lloyds Bank Subsidiaries Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 financial statements (the "Annual Report"), which comprise: Balance sheet as at 31 December 2020; Statement of comprehensive income, Statement of changes in equity, and Cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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.

Independent Auditors' report to the members of Lloyds Bank Subsidiaries Limited (continued)

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 in respect of the financial statements, 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.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of industry laws and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manual elements of the control environment, specifically the posting of inappropriate journal entries and significant accounting estimates. Audit procedures performed by the engagement team included:

- Obtaining an understanding of the legal and regulatory framework applicable to the company and how the company is complies with that framework;
- Held discussions with management and those charged with governance including making specific inquiries about any consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewed minutes of meetings of those charged with governance along with key transaction documents; and
- Tested a sample of manual journal entries and other adjustments impacting the company's accounting records, including significant accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

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.

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.

Independent Auditors' report to the members of Lloyds Bank Subsidiaries Limited (continued)

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 obtained 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.

Christopher J Dalton

Christopher Dalton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

10 August 2021