MBNA Limited
Annual Report and Accounts
2023

Member of Lloyds Banking Group

Strategic report

For the year ended 31 December 2023

The Directors present their Strategic report and audited financial statements of MBNA Limited (the "Company") for the year ended 31 December 2023.

Business overview

The principal activity of the Company is credit card lending to Retail customers in the United Kingdom ("UK").

The Company's Gross loans and advances to customers have increased by £14,423,000 (2022: decrease of £77,104,000), ending the year on £6,357,739,000 (2022: £6,343,316,000). In 2023, overall balances had a modest growth following several years of decline due to Covid impacts and external funding environment impacting on promotional balances. The Company's competitive product offerings have resulted in 271,000 new accounts being acquired in 2023 (2022: 290,000).

The results for the year are set out in the Statement of comprehensive income. The Company's profit before tax for the financial year was £200,264,000 (2022: £216,965,000) and Net interest income for the year was £489,587,000 (2022: £533,386,000). Overall profit before tax decreased in the year due to a decrease in net interest income from higher funding costs partially offset by a decrease in impairment losses in the year.

The Company paid interim dividends of £490,000,000 in 2023. A dividend of £280,000,000 was approved in 2022 and paid in February 2023, a further dividend of £210,000,000 was approved and paid in December 2023. No dividends were paid during 2022. See note 11.

The Company is funded entirely by other entities within Lloyds Banking Group (the "Group").

Future outlook

The Directors continue to support the Group strategy focused on maximising returns and customer offering across the combined credit card business and examining opportunities to expand into new propositions. The key areas of the Group strategy focus on delivering a leading customer experience using the Company's products and support services and brand, whilst maximising the Group's capabilities by seeking to deepen its relationship with its prime customer base, simplifying how customers engage with products and services and keeping pace with regulatory change.

The Directors believe the Company has achieved a satisfactory level of returns and expects to continue to do so in the foreseeable future.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for the Group and are not managed separately for the Company. Further details of the Company's and Group's risk management policy are contained in note 27 to the financial statements.

The Company's approach to Environmental, social and governance risks ("ESG") is aligned to that of the Group. Further information in respect of the ESG risks in Lloyds Banking Group plc are included within the Strategic report within the Lloyds Banking Group plc Annual Report and Accounts for 2023.

Economic environment

The current financial year has been a year of change and economic uncertainty, with the cost of living crisis, rising bank base rates, rising geopolitical tensions and an ongoing climate emergency. These factors have all contributed to increasing the cost of living which impacts the Group and customers of its subsidiaries.

In line with the Group's purpose of Helping Britain Prosper and its clear customer focus, the Group continues to provide support to those most affected by changes to the economic environment.

The Company will continue to monitor the situation and risks to the business.

The key risks and uncertainties faced by the Company are managed within the framework established for the Group. The three types of risk associated with the Company are credit risk, liquidity risk and interest rate risk.

Credit risk

Credit risk arises on the individual customer balances, both on the Loans and advances to customers and also any undrawn balances for an existing customer. These loans are continually monitored by the Group's Internal Risk teams for credit performance and to ensure compliance with current regulations and that customers are being treated fairly. Further information can be found included in note 27.1.

Liquidity risk

Liquidity risk is the risk of the Company being unable to meet its financial obligations. Liquidity risk is subject to independent oversight by internal risk teams. The Company's ability to meet its funding obligations is closely monitored by the Group's Corporate Treasury team. Further information can be found in note 27.2.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis, or are reset at different times. Interest rate risk for the Company includes customer lending and intragroup funding obligations. Further information can be found in note 27.3.

Key performance indicators ("KPI")

The MBNA business is part of the Group's Consumer Lending Business Unit, and the key performance indicators for the Company are aligned with those of the Consumer Lending Business Unit and the Group.

The Company's key objective is to retain existing and attract new customers by treating them fairly, providing a high quality product offering and exceptional customer service. The level of existing and new accounts, as well as overall lending balances, are seen as important measures of success.

Credit risk management, aligned with helping customers ensure they have a product suitable for their needs, is fundamental to the success of the business. Impairment losses and interest income are considered to be relevant measures in relation to this.

The key performance metrics considered to be KPIs for the Company are listed below:

KPI	2023	2022	Analysis
Gross loans and advances to customers (£'000's)	**6,357,739**	6,343,316	The increase in Gross loans and advances to customers has been driven by the increase in interest-bearing balances more than offsetting a reduction in promotional balances.
New accounts (000's)	**271**	290	There has been a decrease in the volume of new accounts year-on-year, driven by move in market away from balance transfer led products to Retail products. The Retail products offers promotional rates (0%) on both balance transfers and retail spend.
Active customer accounts 31 December 2023 (000's)	**2,129**	2,177	Active customer accounts comprise all customers who have a balance on their account or have made a transaction during December 2023. The reduction in active customers in the period reflects pressures on acquisition.
Impairment loss allowance on loans and advances (£'000's)	**284,358**	276,257	The small increase in impairment loss allowance reflects the normalising of credit performance in the year, with default trends returning back towards pre-pandemic levels reflected in a build in Stage 3 assets and increased coverage on up-to-date assets..
Net interest income (£'000's)	**489,587**	533,386	The net interest income decreased in 2023 due to higher funding costs partly mitigated by higher balances and yields, including effective interest rate ("EIR").

Section 172(1) statement

In accordance with the Companies Act 2006 ("the Act"), for the year ended 31 December 2023, 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.

Key stakeholder engagement

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), the following statement also provides details of how Directors have engaged with and had regard to the interests of key stakeholders. The Company is a subsidiary of Lloyds Banking Group plc and as such follows many of the processes and practices of the Group, which are further referred to in this statement where relevant.

The Directors acknowledge that one of the primary responsibilities of the Board is to ensure the strategy of the Company, as aligned to that of the Group, achieves long-term success and generates 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. This approach has during the course of the year been central to the activities of the Directors, as discussed below.

Customers

The Directors ensure the Company, as part of the Group, works toward achieving the Group's customer ambitions by focussing on customer fair value and by treating customers fairly. The Board meets on a regular basis and Directors have also worked to agree customer plans, regularly reviewing customer behaviour, customer pricing and repayment of customer loans, to understand areas where improvements can be made. The Company supports customers in longer term financial difficulty with a range of debt management options including help with budgeting and reducing the cost of credit. Further information on the support provided by the Company can be found on its website at https://www.mbna.co.uk/support/moneyworries.html.

Colleagues

The Company's approach to colleague matters and colleague engagement is aligned to that of the Group, where we continue to support our colleagues and create a fully inclusive organisation that is representative of modern-day Britain, where differences are embraced, and everyone can reach their potential.

The Directors ensure the Company, as part of the Group, understands that listening is a two-way process, so each year we ask colleagues to share their views via our colleague surveys. In 2023, we continued to capture a more regular and complete picture of sentiment.

Our regular pulse surveys, which focus on timely topics, gave us insights into the processes and bureaucracy that hamper effective working, and also sentiment around change.

Section 172(1) statement (continued)

Colleagues (continued)

During the year the Group communicated directly with colleagues detailing Group performance, changes in the economic and financial environment, and updates on key strategic initiatives.

The definition of 'workforce', as agreed by the Lloyds Banking Group plc Board is permanent employees, contingent workers and third-party suppliers that work on Lloyds Banking Group plc premises delivering services to customers and supporting key business operations. Colleagues are actively encouraged to become involved in the performance of Lloyds Banking Group plc, most notably with the HMRC approved share plans which promote share ownership by giving employees an opportunity to invest in Lloyds Banking Group plc shares.

Shareholders

The Company is a wholly owned subsidiary of Lloyds Banking Group plc, forming part of Group's Consumer Lending Business Unit. 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 Group, ensuring that the interests of Lloyds Banking Group plc as the Company's ultimate parent company are duly acknowledged. Further information in respect of the relationship of Lloyds Banking Group plc with its shareholders is included within the Strategic report within the Lloyds Banking Group plc Annual Report and Accounts for 2023, which does not form part of this report, available on the Lloyds Banking Group plc website.

Communities and the environment

The Company continues to operate its own separate foundation that supports local communities in and around its main base in Chester. In addition it has aligned and supports the Group's related initiatives, including helping to build a more sustainable and inclusive future. Further information in respect of the Group's overall approach to engaging with and contributing to the communities in which it operates is included within the Strategic report within the Lloyds Banking Group plc Annual Report and Accounts for 2023, which does not form part of this report. Additional information on the Group's role in supporting the country and its people is available on the Lloyds Banking Group website within the Society and Environment section of the annual report: https://www.lloydsbankinggroup.com/investors/financial-downloads.html.

Regulators

The Company provides quarterly updates to relevant regulators including disclosures on its capital position. During 2023 the Company's Directors had meetings with the regulators, representing the interests of Lloyds Banking Group plc and its subsidiaries as required. The approach of Lloyds Banking Group plc, including that of the Company, to managing regulatory change is detailed further in the Lloyds Banking Group plc Annual Report and Accounts for 2023 which does not form part of this report, which is available on the Lloyds Banking Group plc website.

How stakeholder interest has influenced decision making

The Directors acknowledge that one of the primary responsibilities of the board is to ensure the strategy of the Company, as aligned to that of Lloyds Banking Group plc, is to effectively manage its customer base 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 to maintain Company reputation.

During 2023, an area of particular focus for the Directors has been to steer through the challenges we have faced into as a result of the cost of living crisis both from an operational and customer perspective, ensuring alignment with guidance from the Group and regulators.

Emerging risks

The Directors consider the following to be risks that have the potential to increase in significance and affect the performance of the Company.

The key risks are financial, derived from both physical risks (climate and weather-related events) and transition risks resulting from the process of adjustment towards a low carbon economy. Climate change extends across multiple risk types e.g. credit, market, conduct and operational. For example physical and transition risks could result in the impairment of asset values, which may impact the creditworthiness of our clients, and the products and services our customers require.

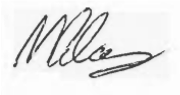
The focus on these risks by key stakeholders including businesses, clients, shareholders, governments and regulators is increasing, aligned to the evolving societal, regulatory and political landscape. There also remains a risk that the level and pace of responses taken by the Group are insufficient to mitigate these risks. This could lead to campaign groups or other bodies seeking to take action against the Group or the financial services industry for funding organisations that they deem to be contributing to climate change.

The Company is out of scope of the Streamlined Energy and Carbon Reporting ("SECR"), as it does not have to report on SECR in its own Directors' report where included in the Group's SECR statement of a UK Group report. Further information in respect of SECR is included within the Lloyds Banking Group plc Annual Report and Accounts for 2023, which does not form part of this report, and is available on the Lloyds Banking Group plc website.

General

The Directors do not consider there to be any further material issues which need to be included in the Strategic report.

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



M C Campbell
Director
18 June 2024

The Directors present their Annual Report and Accounts for the year ended 31 December 2023.

General information

The Company is a private company limited by shares, incorporated, registered and domiciled in England and Wales, United Kingdom (registered number: 02783251).

Registered office for the Company is Cawley House, Chester Business Park, Chester, United Kingdom, CH4 9FB.

Company Secretary is A E Mulholland.

Dividends

An interim dividend of £210,000,000 (£210,000,000 per share) in respect of the year ending 31 December 2023 was declared on 8 December 2023 and paid to Bank of Scotland plc on 28 December 2023. An interim dividend of £280,000,000 (£280,000,000 per share) in respect of 2022 was declared on 12 September 2022 and paid to Bank of Scotland plc on 18 February 2023. No dividends were paid during 2022. See note 11.

Events after the reporting date

There are no material events after the reporting date requiring disclosure in these financial statements.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the accounts. Thus they continue to adopt the going concern basis of accounting in preparing the Annual Report and Accounts. Further details regarding the adoption of the going concern basis can be found in the note 1 to the financial statements.

Employees

The Company's approach to employee matters and employee engagement is aligned to that of the Group, where colleagues take pride in working for an inclusive and diverse organisation which continues to work towards building a culture in which everyone feels included, empowered and inspired to do the right thing for customers. Employees are offered a competitive and fair reward package that supports its aims as a responsible business. The Company's employees have the ability to join the Group's trade unions, Accord and Unite, which negotiate and consult on behalf of Group employees.

The Company aims to appoint the best person available into any role and to attract talented people from diverse backgrounds. Applications from people with a disability are encouraged and given full and fair consideration. The Company is unbiased in the way it approaches assessment, appointment, training and promotion. A wide range of programmes are available to support colleagues who become disabled or develop a long-term health condition during employment.

Full details of policies relating to colleague inclusion and diversity is shown in the Lloyds Banking Group plc 2023 Annual Report and Accounts, which does not form part of this report, and is available on the Lloyds Banking Group plc website.

Statement of engagement with employees and other stakeholders

A statement of engagement with employees and other stakeholders is included in the Strategic report on pages 2 and 3.

Approach to Corporate Governance

In accordance with the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018) (the "Regulations"), for the year ended 31 December 2023, the Company has in its corporate governance arrangements applied the Wates Corporate Governance Principles for Large Private Companies (the "Principles"), which are available at frc.org.uk. The following section explains the Company's approach to corporate governance, and its application of the Principles.

Principle One – Purpose and Leadership

The Board is collectively responsible for the long term success of the Company. It achieves this by agreeing the Company's strategy, within the wider strategy of Lloyds Banking Group plc, and overseeing delivery against it. The Company's strategy is discussed further in the Strategic Report on pages 1 to 4 of these financial statements. The Board also assumes responsibilities for the management of the culture, values and wider standards of the Company, within the equivalent standards set by the Group, which are discussed in the Lloyds Banking Group plc Annual Report and Accounts for 2023, which does not form part of this report, and is available on the Lloyds Banking Group plc website:. https://www.lloydsbankinggroup.com/investors/financial-downloads.html.

Approach to Corporate Governance (continued)

Principle One – Purpose and Leadership (continued)

Consideration of the needs of all stakeholders is fundamental to the way the Company operates, as is maintaining the highest standards of business conduct, which along with ensuring delivery for customers is a vital part of the corporate culture. The Company's approach is further influenced by the need to build a culture in which everyone feels included, empowered and inspired to do the right thing for customers. To this end, the Board plays a role in establishing, promoting and monitoring the Company's corporate culture and values, aligning to the culture and values of the Group, which are discussed in more detail on page 3 of Lloyds Banking Group plc Annual Report and Accounts for 2023, which does not form part of this report, and is available on the Lloyds Banking Group plc website. The Lloyds Banking Group plc financial statements may be downloaded via https://www.lloydsbankinggroup.com/investors/financial-downloads.html

Principle Two – Board Composition

The Company is led by a Board comprising a Non-executive Chairman and Executive Directors and details of the Directors can be found above. The Board reviews its size and composition regularly and is committed to ensuring it has the right balance of skills and experience. With respect to diversity, the Board meets the recommendations of the Parker Review and aims to meet all recommendations set out in the FTSE Women Leaders Review. The Board considers that its current size and composition is appropriate to the Company's circumstances. New appointments are made on merit, taking account of the specific skills, experience and knowledge needed to ensure a rounded Board and the diversity benefits each candidate can bring overall.

The Board undertakes an annual review of its effectiveness, which provides an opportunity to consider ways of identifying greater efficiencies, ways to maximise strengths and highlights areas of further development. The effectiveness review is commissioned by the Board, assisted by the Company Secretary.

Principle Three – Director Responsibilities

The Directors assume ultimate responsibility for the affairs of the Company, and along with senior management are committed to maintaining a robust control framework as the foundation for the delivery of good governance, including the effective management of delegation though related Group processes. Policies are also in place in relation to potential conflicts of interest which may arise.

The Board does not operate any committees. An elected Director will chair the board meeting and receive support from the Company Secretary for the provision to each meeting of accurate and timely information.

Principle Four – Opportunity and Risk

Strategic opportunities which may arise are considered in the first instance by the Board of the Group, as part of the Group Board's role in considering such opportunities relevant to itself and its subsidiaries. Any opportunity which is specifically relevant to the Company is subsequently considered by the Board.

The Board is responsible for the long term sustainable success of the Company, generating value for its shareholder and ensuring a positive contribution to society. Key to this is the Company's culture, purpose, values and strategy, as discussed under Principle One, which are closely aligned to those of the Group.

Strong risk management is central to the strategy of the Company, which along with a robust risk and control framework, acts as the foundation for the delivery of effective risk management. The Board agrees the Company's risk appetite, within the wider risk appetite of the Group, and ensures the Company manages risk effectively through delegation within the management hierarchy.

Board level engagement, coupled with the direct involvement of management in risk issues, ensures that escalated issues are promptly addressed and remediation plans are initiated where required. The Company's risk appetite, principles, policies, procedures, controls and reporting are managed in conjunction with those of the Group, and as such are regularly reviewed to ensure they remain fully in line with regulations, law, corporate governance and industry best practice. The Company's principal risks are discussed further within note 27.

Principle Five – Remuneration

The Remuneration Committee of the Group assumes responsibility for the approach to remuneration for certain subsidiaries, including that of the Company. This includes reviewing and making recommendations to the Group Board on remuneration policy, as relevant to the Company and its employees, which includes colleagues where the regulators require the Company to implement a specific approach to their remuneration. The full policy is set out in the the Annual Report and Accounts of the Group.

Principle Six – Stakeholders

The Company, as part of the Group, operates under the Group's wider Responsible Business approach, as overseen by the Lloyds Banking Group plc Responsible Business Committee. The purpose of the Committee is to support the Board in overseeing the Company's policies, performance and priorities as a responsible business including embedding purpose, social and environmental matters, culture, workforce engagement and duty to customers and stakeholders.

Information included in the Strategic report

The disclosures for Future outlook, Principal risks and uncertainties, Employees and Key performance indicators that would otherwise be required to be disclosed in the Directors' report can be found in the Strategic report on pages 1 to 4.

Directors

The current Directors of the Company are shown below:

A Borkakoty *	
M C Campbell	(appointed 29 September 2023)
E J Corfield (Chair) *	
A C Hind *	(appointed 15 June 2023)
M Lien	(appointed 11 January 2023)

E J Corfield Director status changed to Non-executive Chair as at 13 April 2023.

The following changes have also taken place between the beginning of the reporting period and the approval of the Annual report and accounts.

A B Ambani	(resigned 29 September 2023)
Dr S J Kenyon (Chair) *	(resigned 12 April 2023)
I S Perez	(resigned 24 February 2023)

* Non executive director

Directors' indemnities

Lloyds Banking Group plc has granted to the Directors of the Company a deed of indemnity 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 or from the date of appointment in respect of the Director who joined the Board of the Company during the financial year. Directors no longer in office but who served on the Board of the Company at any time in the financial year had the benefit of this deed of indemnity during that period of service.

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

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether the financial statements comply with international accounting standards in conformity with the requirements of the Companies Act 2006, 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. They 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.

Directors' confirmations

In accordance with Section 418 of the Companies Act 2006, 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 auditor is unaware; and
- The Director has taken all the steps that they ought to have taken as a Director in order to make themself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors and disclosure of information to auditors

Deloitte LLP are deemed to be re-appointed as auditor under section 487(2) of the Companies Act 2006.

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

M C Campbell
Director
18 June 2024

Statement of comprehensive income

For the year ended 31 December 2023

	Note	**2023**	2022
		£'000	£'000
Interest income		**699,364**	598,884
Interest expense		**(209,777)**	(65,498)
Net interest income	3	**489,587**	533,386
Fee and commission income		**49,611**	44,018
Fee and commission expense		**(30,412)**	(27,748)
Net fee and commission income	4	**19,199**	16,270
Other income	5	**2,179**	2,483
Impairment losses on loans and advances to customers	6	**(189,428)**	(230,360)
Impairment reversal on investment in subsidiary undertakings	16	**131**	–
Regulatory provisions - charge for the year	22	**(6,326)**	(18,643)
Other operating expenses	7	**(115,078)**	(86,171)
Profit before tax		**200,264**	216,965
Taxation	10	**(47,874)**	(41,318)
Profit for the year from continuing operations		**152,390**	175,647
Discontinued operations			
Loss for the year from discontinued operations	12	**(117)**	(32)
Profit for the year, being total comprehensive income		**152,273**	175,615

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

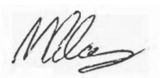
Balance sheet

As at 31 December 2023

	Note	2023	2022
		£'000	£'000
ASSETS			
Cash and cash equivalents	13	**41,057**	31,787
Trade and other receivables	14	**260,517**	261,291
Loans and advances to customers	15	**6,073,381**	6,067,059
Investment in subsidiary undertakings	16	**1,467**	1,336
Property, plant and equipment	17	**2,485**	2,106
Intangible assets	18	**7,245**	–
Deferred tax asset	19	**17,439**	21,300
Total assets		**6,403,591**	6,384,879
LIABILITIES			
Borrowed funds	20	**5,877,676**	5,537,101
Trade and other payables	21	**87,057**	64,859
Provision for liabilities and charges	22	**63,414**	74,852
Current tax liability		**43,127**	38,023
Total liabilities		**6,071,274**	5,714,835
EQUITY			
Share capital	23	**–**	–
Retained earnings		**332,317**	670,044
Total equity		**332,317**	670,044
Total equity and liabilities		**6,403,591**	6,384,879

The accompanying notes 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:



M C Campbell
Director
18 June 2024

Statement of changes in equity

For the year ended 31 December 2023

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2022	200,000	294,429	494,429
Profit for the year being total comprehensive income	–	175,615	175,615
Share capital reduction	(200,000)	200,000	–
At 31 December 2022	–	670,044	670,044
Profit for the year being total comprehensive income	**–**	**152,273**	**152,273**
Dividend paid to equity holders of the Company (see note 11)	**–**	**(490,000)**	**(490,000)**
At 31 December 2023	**–**	**332,317**	**332,317**

The accompanying notes are an integral part of these accounts.

Cash flow statement

For the year ended 31 December 2023

	Note	2023	2022
		£'000	£'000
Cash flows generated from operating activities			
Profit before tax		**200,264**	216,965
Adjustments for:			
- Loss generated from discontinued operations before tax	12	**(153)**	(40)
- Interest expense	3	**209,777**	65,498
- Depreciation of Property, plant and equipment	17	**1,707**	2,206
- Net book value of disposal of Property, plant and equipment	17	**462**	110
- Amortisation of Intangible assets	18	**–**	226
-Impairment reversal of Investment in subsidiary undertakings	16	**(131)**	–
- Decrease in Provision for liabilities and charges	22	**(11,438)**	(284)
Changes in Operating assets and liabilities:			
- Net (increase)/decrease in Loans and advances to customers	15	**(6,322)**	149,170
- Net increase in Other debtors and Other trade receivables	14	**(8,689)**	(5,067)
- Net increase in Trade and other payables	21	**22,198**	2,232
- Non Cash transactions*		**61,260**	(24,277)
Cash generated from operations		**468,935**	406,739
Tax paid		**(38,873)**	(65,481)
Net cash generated from operating activities		**430,062**	341,258
Cash flows used in investing activities			
Purchase of Property, plant and equipment	17	**(2,548)**	(897)
Addition of Intangible assets	18	**(7,245)**	–
Net cash used in investing activities		**(9,793)**	(897)
Cash flows used in financing activities			
Movement of net borrowings with Group undertakings	26	**250,548**	(278,085)
Dividends paid	11	**(490,000)**	–
Interest paid	3	**(171,547)**	(68,135)
Net cash used in financing activities		**(410,999)**	(346,220)
Change in Cash and cash equivalents	13	**9,270**	(5,859)
Cash and cash equivalents at beginning of year		**31,787**	37,646
Cash and cash equivalents at end of year		**41,057**	31,787

	2023	2022
	£'000	£'000
***Non Cash transactions**		
Net (decrease)/increase in amounts due from Group undertakings	**(69,545)**	24,384
Net increase/(decrease) in borrowed funds	**8,285**	(107)
Repayments made on amounts due to Group undertakings	**61,260**	(24,277)
	–	–

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

Note 1. Material accounting policies

Note 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.

The financial statements of the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have also been prepared in accordance with International Financial Reporting Standards ("IFRS"s) as issued by the International Accounting Standards Board ("IASB").

The financial information has been prepared under the historical cost convention.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in pounds sterling, which is the Company's functional and presentational currency.

In the preparation of these financial statements the balance sheet has been arranged in order of liquidity.

No new IFRS pronouncements which have been adopted resulted in a material impact within these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2023 and which have not been applied in preparing these financial statements are given in note 30. No standards have been early adopted.

The Directors are satisfied that it is the intention of Lloyds Banking Group plc 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, taking into account:

These separate 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 on the basis that the Company and each of its subsidiaries are included in the consolidated financial statements of the Company's ultimate parent company.

Note 1.2. Income recognition

Dividend income

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

Interest income and expense from financial assets

Interest income and expense are recognised in the Statement of comprehensive income for all interest bearing financial instruments, including loans and advances, 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 gross carrying amount of the financial asset (before accounting for expected credit losses ("ECL")) or the amortised cost of the financial liability.

Once a financial asset or a Group of similar financial assets has become credit impaired, interest income is recognised on the net lending balance (after deducting the allowance for ECL) using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income and expense

Fee and commissions which are not an integral part of the effective interest rate are recognised in the Statement of comprehensive income on an accruals basis when the service has been provided. Interchange income, included in Loan fees receivable (note 4), represents merchant fees for credit card transactions processed through the interchange networks, net of the fee retained by the merchant's processing bank. Interchange income is earned at the time the customer transaction is authorised.

Other income

Other income includes cash recoveries received from debtors previously underwritten in other Group companies which are accounted for on an accruals basis, fair value gains or losses on financial assets held at fair value through profit or loss on remeasurement, foreign exchange currency gains or losses on retranslation as discussed below in Valuation of foreign currency, together with any profits or losses from the sale of the Company's Property, plant and equipment and Investments in subsidiary undertakings.

Note 1.3. Borrowed funds

Borrowed funds are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. These instruments are subsequently stated at amortised cost using the effective interest rate method.

Note 1. Material accounting policies (continued)

Note 1.4. Financial assets and liabilities

Financial assets comprise Amounts due from Group undertakings, Loans and advances to customers, Trade and other receivables and Cash and cash equivalents. Financial liabilities comprise Amounts due to Group undertakings and Trade and other payables. Amounts due from Group undertakings is assessed at the reporting date for impairment on a forward looking basis and where appropriate an ECL is recognised on reasonable and supportive information.

On initial recognition, financial assets are classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, depending on the Company's business model for managing the financial assets and whether the cash flows represent solely payments of principal and interest. The Company assesses its business models at a portfolio level based on its objectives for the relevant portfolio, how the performance of the portfolio is managed and reported, and the frequency of asset sales. The Company reclassifies financial assets when and only when its business model for managing those assets changes.

Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Company has transferred its contractual right to receive the cash flows from the assets and either: substantially all of the risks and rewards of ownership have been transferred; or the Company has neither retained nor transferred substantially all of the risks and rewards, but has transferred control. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Loans and advances to customers at amortised cost

Financial assets include loans and advances to customers. Financial assets are initially recognised when cash is advanced to the borrowers at fair value inclusive of transaction costs. Financial assets classified as loans and receivables are accounted for at amortised cost using the effective interest method less provision for impairment.

Financial instruments measured at amortised cost

Financial assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A basic lending arrangement results in contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Where the contractual cash flows introduce exposure to risks or volatility unrelated to a basic lending arrangement such as changes in equity prices or commodity prices, the payments do not comprise solely principal and interest. Financial assets measured at amortised cost are Loans and advances to customers, Cash and cash equivalents, Amounts due from Group undertakings and Trade and other receivables. Loans and advances are initially recognised when cash is advanced to the borrower at fair value inclusive of transaction costs. Interest income is accounted for using the effective interest method.

Financial liabilities are measured at amortised cost, except for trading liabilities and other financial liabilities designated at fair value through profit or loss on initial recognition which are held at fair value.

Financial instruments measured at fair value through profit or loss

Financial assets are classified at fair value through profit or loss where they do not meet the criteria to be measured at amortised cost or fair value through other comprehensive income or where they are designated at fair value through profit or loss to reduce an accounting mismatch. All derivatives are carried at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognised in the Balance sheet at their fair value. Fair value gains and losses together with interest coupons and dividend income are recognised in the Statement of comprehensive income within net trading income. Financial liabilities measured at fair value through profit or loss are recognised in the Balance sheet at their fair value. Fair value gains and losses are recognised in the Statement of comprehensive income in the period in which they occur, except that gains and losses attributable to changes in own credit risk are recognised in other comprehensive income.

Note 1.5. Impairment of financial assets

The impairment charge in the Statement of comprehensive income includes the change in ECL over the year including those arising from recoveries. ECL are recognised for loans and advances to customers and other financial assets held at amortised cost, together with any loan commitments. ECL are calculated as an unbiased and probability-weighted estimate using an appropriate probability of default ("PD"), adjusted to take into account a range of possible future economic scenarios, and applying this to the estimated exposure of the Company at the point of default after taking into account the value of any repayments and including the impact of discounting using the effective interest rate.

At initial recognition, allowance or provision in the case of some loan commitments is made for ECL resulting from default events that are possible within the next 12 months (12-month ECL). In the event of a significant increase in credit risk, allowance (or provision) is made for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). Financial assets where 12-month ECL are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

Note 1. Material accounting policies (continued)

Note 1.5. Impairment of financial assets (continued)

However, unless identified at an earlier stage, the credit risk of financial assets is deemed to have increased significantly when more than 30 days past due.

Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since initial recognition, the asset is transferred back to Stage 1.

Assets are transferred to Stage 3 when they have defaulted or are otherwise considered to be credit impaired. Default is considered to have occurred when there is evidence that the customer is experiencing financial difficulty which is likely to affect significantly the ability to repay the amount due. A Stage 3 asset that is no longer credit-impaired is transferred back to Stage 2 as no cure period is applied to Stage 3.

In certain circumstances, the Company will renegotiate the original terms of a customer's loan, either as part of an ongoing customer relationship or in response to adverse changes in the circumstances of the borrower. In the latter circumstances, the loan will remain classified as either Stage 2 or Stage 3 until the credit risk has improved such that it no longer represents a significant increase since origination (for a return to Stage 1), or the loan is no longer credit impaired (for a return to Stage 2). On renegotiation the gross carrying amount of the loan is recalculated as the present value of the renegotiated or modified contractual cash flows, which are discounted at the original effective interest rate. Renegotiation may also lead to the loan and associated allowance being derecognised and a new loan being recognised initially at fair value.

A loan or advance is normally written off, either partially or in full, against the related allowance when the proceeds from realising any available security have been received or there is no realistic prospect of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of credit impairment losses recorded in the Statement of comprehensive income. The write-off takes place only once an extensive set of collections processes has been completed, or the status of the account reaches a point where policy dictates that continuing concessions are no longer appropriate.

Note 1.6. 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.

Note 1.7. Property, plant and equipment

Property, plant and equipment is included at historical purchase cost less depreciation and any impairment allowance. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated using the straight line method to allocate the difference between the cost and expected residual value over their estimated useful lives, as follows:

Office and other equipment - between 2 and 8 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance sheet date.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, it is written down immediately. The recoverable amount is the higher of the asset's fair value, less costs to sell, and its value in use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within Other operating income or Other operating expenses in the Statement of comprehensive income.

Note 1.8. Taxation, including deferred income taxes

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.

Note 1. Material accounting policies (continued)

Note 1.8. Taxation, including deferred income taxes (continued)

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by His 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.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the balance sheet date, and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences but not recognised for taxable temporary differences arising on investments in subsidiaries where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognised on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, and are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. In certain cases where forecast profits are not expected to be sufficient to support the recognition of a deferred tax asset on a standalone entity basis, further consideration has been given to the availability of UK Group relief with connected companies to support the recognition.

Deferred tax assets and liabilities are not recognised in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination. Deferred tax is not discounted.

Note 1.9. Investments in subsidiary undertakings

Investment in subsidiary undertakings is stated in the Balance sheet at cost less any provision for impairment.

Investment in subsidiary undertakings are 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.

Note 1.10. Retirement benefit schemes

Defined contribution

A defined contribution plan is a pension plan under which the Company pays fixed contributions; there is no legal or constructive obligation to pay further contributions. The Company receives recharges in respect of a defined contribution plan operated by the Group based on the level of contributions paid in relation to staff providing services to this Company. These are charged to the Statement of comprehensive income in the period in which they fall due.

Note 1. 11. Dividends paid

Dividends on ordinary shares are recognised through equity in the period in which they are paid.

Note 1.12. Share based payments

The Company's ultimate parent company operates a number of Group wide, equity settled, share based compensation plans. The Company receives recharges in respect of a number of share based compensation plans operated by the Company's ultimate parent company based on the fair value of the number of equity based instruments that are expected to vest in respect of services of the relevant employees included in note 8. This expense is determined by reference to the fair value of the number of equity instruments that are expected to vest. The fair value of equity instruments granted is based on market prices, if available, at the date of grant. In the absence of market prices, the fair value of the instruments at the date of grant is estimated using an appropriate valuation technique, such as a Black-Scholes option pricing model. The determination of fair values excludes the impact of any non-market vesting conditions, which are included in the assumptions used to estimate the number of options that are expected to vest.

At each Balance sheet date, this estimate is reassessed and if necessary revised. Any revision of the original estimate is recognised in the Statement of comprehensive income over the remaining vesting period.

Full details of these schemes can be found in the 2023 Annual Report and Accounts of the Group.

Note 1. Material accounting policies (continued)

Note 1.13. Intangible assets

Intangible fixed assets are subject to impairment review, any resulting impairment charge is taken to the Statement of comprehensive income when identified.

Expenses incurred for software product development are expensed as incurred unless the technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has an intention and ability to complete and use or sell the software and the costs can be measured reliably. Such expenses and advances paid for software development which is not yet ready for the intended use as at the Balance sheet date are recognised as Intangible assets. Once they are completed for the intended use, the Intangible assets are carried at historical cost less accumulated amortisation, and are amortised over a period of 7 years using the straight line method.

Note 1.14. Provision for liabilities and charges

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated. This includes management's best estimate of amounts payable for customer redress relating to payment protection insurance ("PPI") and any other regulatory matters. All assumptions are frequently assessed and the provision recorded represents the current estimated cost to the Company. Provisions are charged to the Statement of comprehensive income, further detail is provided in note 22.

Provision is made for ECL in respect of irrevocable undrawn loan commitments.

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote (see note 29).

Note 1.15. Deemed securitisation loans

On the 12th March 2021 the Wilmington Cards 2021-1 plc was set up which used MBNA Card assets to back the issuance of £3,350,000,000 Class A asset backed variable rate notes with a scheduled redemption date of 18 March 2026 and £1,000,000,000 Class D asset backed variable rate notes with a scheduled redemption date of 18 March 2027 (the “Notes”).

Under IFRS, if a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it was a sale transaction from a legal perspective. The Directors of the Company conclude that the Company had retained substantially all the risks and rewards of the pool of credit cards and as a consequence the Company has continued to recognise the credit cards in its Balance sheet.

The initial amount of the deemed loan from Wilmington Cards 2021-1 plc corresponded to the consideration paid by Wilmington Cards 2021-1 plc for the credit cards less the subordinated loan granted by the Company. Wilmington Cards plc recognised principal and interest cash flows from the underlying pool of credit cards only to the extent that it was entitled to retain such cash flows. Additionally, the Directors of the Company considered that the subordinated loan did not meet the definition of a liability as Wilmington Cards 2021-1 plc would repay the subordinated loan to the Company only if it first received an equivalent amount from the Company.

The deemed loan to the Company from Wilmington Cards plc was classified within Amounts due to Group undertakings. The amount represented the net position of the deemed loan and asset as per IFRS9 which permits the elimination of both the deemed loan and the asset within the Company as a self retained transaction. The initial measurement was at fair value with subsequent measurement being at amortised cost using the effective interest method. The effective interest on the deemed loan was calculated with reference to the interest earned on the beneficial interest in the credit cards portfolio.

Note 2. Critical accounting judgements and key sources of estimation uncertainty

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.

Critical accounting judgements

The following are critical accounting estimates that the Directors have made in the process of applying the Company’s accounting policies which have the most significant effect on the amounts recognised in the financial statements:

(i) Effective interest rate

Interest income is recognised using the effective interest rate (“EIR”) method where the EIR is the rate that discounts the estimated future cash payments of receipts over the expected life of the instrument to the net carrying amount of the financial asset or financial liability.

Note 2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical accounting judgements (continued)

(i) Effective interest rate (continued)

The key components of EIR are the volume of balance transfers made, the duration of the promotional balance transfer periods offered, the balance profile and length of balance life following the promotional period expiry and the balance transfer fee at the point of the transaction. Judgment is applied in forecasting the balance pay down curve by product. Customers forecast to clear all balances within 31 months after promotional period ends.

The Company's EIR Balance sheet position increased to an asset of £129,800,000 at 2023 year end from £106,200,000 at 2022 year end. This is driven by the increasing card volumes and the impact of the increases in Bank of England Base Rate in 2023.

(ii) Deferred tax

Estimation of income taxes includes the assessment of recoverability of deferred tax assets. Deferred tax assets are only recognised to the extent they are considered more likely than not to be recoverable based on existing tax laws and forecasts of future taxable profits against which the underlying tax deductions can be utilised.

(iii) Allowance for impairment losses

The calculation of the Company's ECL allowance under IFRS 9 requires the Company to make a number of judgements, assumptions and estimates. The most significant are set out below:

Definition of default

The probability of default ("PD") of an exposure, both over a 12 month period and over its lifetime, is a key input to the measurement of the ECL allowance. Default has occurred when there is evidence that the customer is experiencing significant financial difficulty which is likely to affect the ability to repay amounts due. The definition of default adopted by the Company is described in note 1.5 Impairment of financial assets.

Lifetime of an exposure

The PD of a financial asset is dependent on its expected life. The Company estimates a product's expected life using the full contractual life and taking into account behavioural factors such as early repayments and refinancing. For loans and advances to customers, the Company has assumed the expected life to be the time taken for all significant losses to be observed and for a material proportion of the assets to fully resolve through either closure or write off. The Company has considered the losses beyond the contractual term over which the Company is exposed to credit risk. Changes to the assumed expected lives of the Company's assets could have a material effect on the ECL allowance recognised by the Company. The assessment of significant increase in credit risk ("SICR") and corresponding lifetime loss, and the PD, of a financial asset designated as Stage 2, or Stage 3, is dependent on its expected life.

Significant increase in credit risk

The Company uses a quantitative test together with qualitative indicators to determine whether there has been a SICR for an asset. A deterioration in the Retail Master Scale (default model that segments customer loans into a number of rating grades, each representing a defined range of default probabilities) of three grades, is treated as a SICR. All financial assets are assumed to have suffered a SICR if they are more than 30 days past due. Further information can be found in note 27.1.

The setting of precise trigger points combined with risk indicators requires judgement. The use of different trigger points may have a material impact upon the size of the ECL allowance.

Application of judgement in adjustments to modelled ECL

Impairment models fall within the Company's model risk framework with model monitoring, periodic validation and back testing performed on model components, such as probability of default. Limitations in the Company's impairment models or data inputs may be identified through the ongoing assessment and validation of the output of the models. In these circumstances, management applies appropriate judgemental adjustments to the ECL to ensure that the overall provision adequately reflects all material risks. These adjustments are determined by considering the particular attributes of exposures which have not been adequately captured by the impairment models and range from changes to model inputs and parameters, at account level, through to more qualitative post model adjustments. Post-model adjustments are not typically calculated under each distinct economic scenario used to generate ECL, but on final modelled ECL. All adjustments are reviewed quarterly and are subject to internal review and challenge, including by the Audit Committee, to ensure that amounts are appropriately calculated, and specific release criteria is identified.

At 31 December 2023 judgemental adjustments resulted in net additional ECL allowances totalling £8,000,000 (2022: £3,300,000).

The Company's ECL models use predictions of wage growth to account for future affordability stress. As elevated inflation erodes nominal wage growth, adjustments have been made to the econometric models to account for real, rather than nominal, income to produce adjusted predicted defaults. These adjustments also include the specific risk to affordability from increased housing costs, not captured by CPI. As these adjustments are made within predicted default models, they are calculated under each economic scenario and impact the staging of assets through increased PDs. Alongside these adjustments management has also made an additional uplift to ECL for customers with lower income levels and higher indebtedness deemed most vulnerable to inflationary pressures and interest rate rises. Although this segment of customers has not exhibited any greater deterioration to date, uplifts continue to be applied to recognise that continued inflation and interest rates risks remain.

Note 2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical accounting judgements (continued)

Application of judgement in adjustments to modelled ECL (continued)

During 2022 the intensifying inflationary pressures, alongside rising interest rates within the Company's outlook created further risks not deemed to be fully captured by ECL models. These pressures played out in 2023 with households experiencing increased interest rates and living costs. The judgements held in respect of inflationary and interest rate risks increase in ECL at £36,600,000 (2022: £34,700,000). Other judgements continue to be applied for broader data and model limitations, both increasing and decreasing ECL.

Other judgements: £(28,600,000) (2022: (£31,400,000))

These adjustments principally comprise:

Lifetime extension on revolving products: £24,400,000 (2022: £33,000,000)

An adjustment is required to extend the lifetime used for Stage 2 exposures from a three-year modelled lifetime, which reflected the outcome data available when the ECL models were developed. Incremental defaults beyond year three are calculated through the extrapolation of the default trajectory observed throughout the three years and beyond. The judgement has reduced slightly in the period following refinement to the discounting methodology applied.

Adjustments to loss given defaults (LGD's) £(50,700,000) (2022: £(59,100,000))

A number of adjustments have been made to the loss given default assumptions used within the credit models. The adjustments reflect the impact of changes in collection debt sale strategy on the Company's LGD models, incorporating up to date customer performance and forward flow debt sale pricing.

Generation of Multiple Economic Scenarios ("MES")

The estimate of ECL is required to be based on an unbiased expectation of future economic scenarios. The approach used to generate the range of future economic scenarios depends on the methodology and judgements adopted. The Group's approach is to start from a defined base case scenario, used for planning purposes, and to generate alternative economic scenarios around this base case. The base case scenario is a conditional forecast underpinned by a number of conditioning assumptions that reflect the Group's best view of key future developments. If circumstances appear likely to materially deviate from the conditioning assumptions, then the base case scenario is updated.

The base case scenario is central to a range of future economic scenarios generated by simulation of an economic model, for which the same conditioning assumptions apply as in the base case scenario. These scenarios are ranked by using estimated relationships with industry-wide historical loss data. With the base case already pre-defined, three other scenarios are identified as averages of constituent scenarios located around the 15th, 75th and 95th percentiles of the distribution. The full distribution is therefore summarised by a practical number of scenarios to run through ECL models representing an upside, the base case, and a downside scenario weighted at 30 per cent each, together with a severe downside scenario weighted at 10 per cent. The scenario weights represent the distribution of economic scenarios and not subjective views on likelihood. The inclusion of a severe downside scenario with a smaller weighting ensures that the non-linearity of losses in the tail of the distribution is adequately captured. No material changes were made to the model in 2023.

Base case and MES economic assumptions

The Company's base case economic scenario has been updated to reflect ongoing geopolitical developments, and further evidence of easing of inflationary pressures allowing shifts to less restrictive monetary policies globally. The Group's updated base case scenario has three conditioning assumptions: first, the wars in Ukraine and the Middle East remain geographically contained and do not lead to a major escalation in energy prices; second, China's economic stabilisation policy is effective; and third, less restrictive monetary and fiscal policy throughout this year.

Based on these assumptions and incorporating the economic data published in the fourth quarter, the Company's base case scenario is for slow expansion in GDP and a rise in the unemployment rate. Following a reduction in inflationary pressures, UK Bank Rate is expected to be lowered during 2024. Risks around this base case economic view lie in both directions and are largely captured by the generation of alternative economic scenarios.

The Company has accommodated the latest available information at the reporting date in defining its base case scenario and generating alternative economic scenarios. The scenarios include forecasts for key variables in the fourth quarter of 2023, for which actuals may have since emerged prior to publication.

The key UK economic assumptions made by the Company averaged over a five-year period are shown on the next page. Gross domestic product is presented as an annual change. UK Bank Rate and unemployment rate are averages for the period.

Note 2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical accounting judgements (continued)

Base case and MES economic assumptions (continued)

At 31 December 2023	2023 %	2024 %	2025 %	2026 %	2027 %	Average %
Upside						
Gross domestic product	0.3	1.5	1.7	1.7	1.9	1.4
UK Bank Rate	4.94	5.72	5.61	5.38	5.18	5.37
Unemployment rate	4.0	3.3	3.1	3.1	3.1	3.3
CPI inflation	7.3	2.7	3.1	3.2	3.1	3.9
Base case						
Gross domestic product	0.3	0.5	1.2	1.7	1.9	1.1
UK Bank Rate	4.94	4.88	4.00	3.50	3.06	4.08
Unemployment rate	4.2	4.9	5.2	5.2	5.0	4.9
CPI inflation	7.3	2.7	2.9	2.5	2.2	3.0
Downside						
Gross domestic product	0.2	(1.0)	(0.1)	1.5	2.0	0.5
UK Bank Rate	4.94	3.95	1.96	1.13	0.55	2.51
Unemployment rate	4.3	6.5	7.8	7.9	7.6	6.8
CPI inflation	7.3	2.8	2.7	1.8	1.1	3.2
Severe Downside						
Gross domestic product	0.1	(2.3)	(0.5)	1.3	1.8	0.1
UK Bank Rate - modelled	4.94	2.75	0.49	0.13	0.03	1.67
UK Bank Rate - adjusted*	4.94	6.56	4.56	3.63	3.13	4.56
Unemployment rate	4.5	8.7	10.4	10.5	10.1	8.8
CPI inflation - modelled	7.3	2.7	2.2	0.9	(0.2)	2.6
CPI inflation - adjusted*	7.6	7.5	3.5	1.3	1.0	4.2
Probability-weighted						
Gross domestic product	0.3	0.1	0.8	1.6	1.9	0.9
UK Bank Rate - modelled	4.94	4.64	3.52	3.02	2.64	3.75
UK Bank Rate - adjusted	4.94	5.02	3.93	3.37	2.95	4.04
Unemployment rate	4.2	5.3	5.9	5.9	5.7	5.4
CPI inflation - modelled	7.3	2.7	2.8	2.3	1.9	3.4
CPI inflation - adjusted	7.4	3.2	3.0	2.4	2.0	3.6

* The adjustment to UK Bank Rate and CPI inflation in the severe downside is considered to better reflect the risks around the Company's base case view in an economic environment where supply shocks are the principal concern.

At 31 December 2022	2022 %	2023 %	2024 %	2025 %	2026 %	Average %
Upside						
Gross domestic product	4.1	0.1	1.1	1.7	2.1	1.8
UK Bank Rate	1.94	4.95	4.98	4.63	4.58	4.22
Unemployment rate	3.5	2.8	3.0	3.3	3.4	3.2
CPI inflation	9.0	8.3	4.2	3.3	3.0	5.5
Base case						
Gross domestic product	4.0	(1.2)	0.5	1.6	2.1	1.4
UK Bank Rate	1.94	4.00	3.38	3.00	3.00	3.06
Unemployment rate	3.7	4.5	5.1	5.3	5.1	4.8
CPI inflation	9.0	8.3	3.7	2.3	1.7	5.0
Downside						
Gross domestic product	3.9	(3.0)	(0.5)	1.4	2.1	0.8
UK Bank Rate	1.94	2.93	1.39	0.98	1.04	1.65
Unemployment rate	3.8	6.3	7.5	7.6	7.2	6.5
CPI inflation	9.0	8.2	3.3	1.3	0.3	4.4
Severe Downside						
Gross domestic product	3.7	(5.2)	(1.0)	1.3	2.1	0.1
UK Bank Rate - modelled	1.94	1.41	0.20	0.13	0.14	0.76
UK Bank Rate - adjusted*	2.44	7.00	4.88	3.31	3.25	4.18
Unemployment rate	4.1	9.0	10.7	10.4	9.7	8.8
CPI inflation - modelled	9.7	14.3	9.0	4.1	1.6	7.7
CPI inflation - adjusted*	9.1	(7.3)	(13.9)	(12.5)	(8.4)	(6.9)
Probability-weighted						
Gross domestic product	4.0	(1.8)	0.2	1.5	2.1	1.2
UK Bank Rate - modelled	1.94	3.70	2.94	2.59	2.60	2.76
Unemployment rate	3.7	5.0	5.8	5.9	5.7	5.2
CPI inflation - modelled	9.0	8.3	3.6	2.1	1.4	4.9

* The adjustment to UK Bank Rate and CPI inflation in the severe downside is considered to better reflect the risks around the Company's base case view in an economic environment where supply shocks are the principal concern.

Note 2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical accounting judgements (continued)

Base case and MES economic assumptions (continued)

ECL sensitivity to economic assumptions

The table below shows the Company's ECL for the probability-weighted, upside, base case, downside and severe downside scenarios. The stage allocation for an asset is based on the overall scenario probability-weighted PD and hence the staging of assets is constant across all the scenarios. In each economic scenario the ECL for individual assessments and post-model adjustments is typically held constant reflecting the basis on which they are evaluated. Judgements applied through changes to model inputs are reflected in the scenario ECL sensitivities. The probability-weighted view shows the extent to which a higher ECL allowance has been recognised to take account of multiple economic scenarios relative to the base case.

	At 31 December 2023					At 31 December 2022				
	Probability -weighted	**Upside**	**Base**	**Downside**	**Severe Downside**	Probability -weighted	Upside	Base	Downside	Severe Downside
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000	£'000
ECL allowance	**324,624**	**242,180**	**309,677**	**368,147**	**486,918**	309,887	245,436	296,167	336,717	463,909

The impact of changes in the UK unemployment rate have been assessed. Although such changes would not be observed in isolation, as economic indicators tend to be correlated in a coherent scenario, this gives insight into the sensitivity of the Company's ECL to gradual changes in this critical economic factor.

The table below shows the impact on the Company's ECL resulting from a 1 percentage point (pp) increase or decrease in the UK unemployment rate. The increase or decrease is presented based on the adjustment phased evenly over the first ten quarters of the base case scenario.

	31 December 2023		31 December 2022	
UK unemployment	**1pp Increase**	**1pp Decrease**	1pp Increase	1pp Decrease
ECL impact, £'000	**13,479**	**(13,479)**	17,134	(17,134)

Note 3. Net interest income

	2023	2022
	£'000	£'000
Interest income		
Credit card finance	**699,242**	598,194
Group interest income	**122**	690
	699,364	598,884
Interest expense		
Interest expense to Group undertakings	**(209,777)**	(65,498)
Net interest income	**489,587**	533,386

Note 4. Net fee and commission income

	2023	2022
	£'000	£'000
Fee and commission income		
Loan fees receivable	**49,611**	44,018
Fee and commission expense		
Other fees and commission payable	**(6,622)**	(7,202)
External infrastructure fees	**(13,178)**	(10,654)
Card and cashback payable	**(10,612)**	(9,892)
Net fee and commission income	**19,199**	16,270

Note 5. Other income

	2023	2022
	£'000	£'000
Card related incentives	**2,045**	1,468
Other operating income	**136**	1,009
Foreign exchange (loss)/gain	**(2)**	6
	2,179	2,483

Note 6. Impairment losses on loans and advances to customers

	Stage 1	Stage 2	Stage 3	Total
For the year ended 31 December 2023	**£'000**	**£'000**	**£'000**	**£'000**
Loans and advances to customers	**19,482**	**(15,658)**	**178,898**	**182,722**
Undrawn loan commitments	**7,451**	**(745)**	**–**	**6,706**
	26,933	**(16,403)**	**178,898**	**189,428**

	Stage 1	Stage 2	Stage 3	Total
For the year ended 31 December 2022	£'000	£'000	£'000	£'000
Loans and advances to customers	6,937	71,209	140,067	218,213
Undrawn loan commitments	5,830	6,317	–	12,147
	12,767	77,526	140,067	230,360

Note 7. Other operating expenses

	2023	2022
	£'000	£'000
Staff costs (see note 8)	**11,558**	11,982
Depreciation (see note 17)	**1,707**	2,206
Recharge of expenses from Group (see note 26)	**81,986**	67,255
Administrative expenses	**19,827**	4,502
Amortisation of intangible assets (see note 18)	**–**	226
	115,078	86,171

Included within administrative expenses are fees payable to the Company's auditors for the audit of the financial statements of £665,028 (2022: £639,000) which included audit related assurance work of £163,000 (2022: £155,000). All audit fees are approved by the Group Audit Committee.

Note 8. Staff costs

	2023	2022
	£'000	£'000
Wages and salaries	**8,981**	10,075
Social security costs	**920**	1,065
Redundancy costs	**14**	(829)
Pension costs – defined contribution plans	**1,251**	1,301
Other staff costs	**392**	370
	11,558	11,982

There were negative redundancy costs in 2022 due to a release of the provision previously held at 2021. See note 22 for further details.

The average monthly number of employees during the year was 295 (2022: 352). All employees are located in the United Kingdom and are engaged in the delivery of credit card lending and ancillary services. The Company operates a defined contribution pension scheme. There were no amounts payable by the Company to the pension scheme at the year end (2022: £nil).

Note 9. Directors' emoluments

The Director's emoluments payable for services provided to the Company are set out below:

	2023	2022
	£'000	£'000
Aggregate emoluments	**187**	104
Aggregate post-employment benefits	**11**	8
	198	112

The amounts reported above are an allocation of a proportion of the Directors' total remuneration insofar as it relates to qualifying services for their role as a director of the Company.

During the year, retirement benefits were accruing to seven Directors (2022: four) in respect of defined contribution schemes. No Directors accrued benefits under a defined benefit scheme (2022: £nil). The number and total amount of the outstanding loans to Directors, officers and connected persons was £nil (2022: £nil). No Director exercised share options (2022: none). One Director (2022: no Directors) considers that their services to the Company are incidental to their responsibilities within the Group. No compensation was received by the Directors for loss of office (2022: £nil).

The Directors holding office at 31 December 2023 are employed by other companies within the Group. Directors' emoluments have not been disclosed where Directors consider that their services are incidental to their other responsibilities within the Group.

Note 10. Taxation

a) Analysis of charge for the year

	2023	2022
	£'000	£'000
UK corporation tax:		
- Current tax on taxable profit for the year	**43,163**	37,120
- Adjustments in respect of prior years	**850**	919
-Current tax credit on loss from discontinued operations	**(36)**	(8)
Current tax charge	**43,977**	38,031
UK deferred tax:		
- Origination and reversal of timing differences	**3,873**	3,285
- Impact of deferred tax rate change	**(12)**	2
Deferred tax charge (see note 19)	**3,861**	3,287
Tax charge	**47,838**	41,318

Corporation tax is calculated at a rate of 23.50% (2022: 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:

	2023	2022
	£'000	£'000
Profit before tax	**200,264**	216,965
Tax charge thereon at UK corporation tax rate of 23.5% (2022: 19%)	**47,062**	41,223
Factors affecting charge:		
Effect of change in tax rate and related inputs	**(12)**	2
Disallowed and non-taxable items	**(62)**	(827)
Adjustment in respect of prior years	**850**	919
Tax charge on profit on ordinary activities	**47,838**	41,317
Effective rate	**23.89%**	19.04%

Note 11. Dividends

An interim dividend of £210,000,000 (£210,000,000 per share) in respect of the year ending 31 December 2023 was declared on 8 December 2023 and paid to Bank of Scotland plc on 28 December 2023 (2022: An interim dividend of £280,000,000 (£280,000,000 per share) in respect 2022 was declared on 12 September 2022 and paid to Bank of Scotland plc on 18 February 2023). No dividends were paid during 2022.

Note 12. Loss for the year from discontinued operations

	2023	2022
	£'000	£'000
Statement of comprehensive income		
Other operating expenses	**153**	40
Loss for the year from discontinued operations before tax	**153**	40
Tax credit on discontinued operations	**(36)**	(8)
Loss for the year from discontinued operations after tax	**117**	32

The Company continues to incur costs in relation to the UK instalment loan business, which has been disclosed as a discontinued operation.

Note 13. Cash and cash equivalents

	2023	2022
	£'000	£'000
Cash at bank and in hand, held with Group undertakings (see note 26)	**15,670**	5,511
Cash at bank and in hand, held with external banks	**25,387**	26,276
	41,057	31,787

As an Authorised Payment Institution, the Company has certain responsibilities under the Payment Services Regulations 2017 to ensure the safety of customer funds ("Safeguarding"). Safeguarding includes instances where the Company receives an overpayment of customer borrowings resulting in the Company owing money to the customer. These customer balances are held in an external bank account amounted to £25,387,000 as at 31 December 2023 (2022: £26,276,000) are not available for use by the Company.

Note 14. Trade and other receivables

	2023	2022
	£'000	£'000
Amounts due from Group undertakings (see note 26)	**241,984**	251,447
Prepayments and accrued income	**18,166**	6,627
Other debtors	**367**	3,217
	260,517	261,291

Amounts due from Group undertakings is unsecured, non-interest bearing and repayable on demand. All Amounts due from Group undertakings are included within Stage 1 for IFRS 9 purposes. Any ECL are considered to be immaterial in either year. Included within Amounts due from Group undertakings is an accounts receivable balance of £103,070,000 (2022: £132,746,000) due from Lloyds Bank plc.

Note 15. Loans and advances to customers

Note 15.1. Loans and advances to customers - movement over time

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 January 2023	**4,935,226**	**1,285,002**	**123,088**	**6,343,316**
Transfers to stage 1	**505,426**	**(504,510)**	**(916)**	**–**
Transfers to stage 2	**(299,359)**	**311,983**	**(12,624)**	**–**
Transfers to stage 3	**(92,535)**	**(111,255)**	**203,790**	**–**
Net increase / (decrease) in loans and advances to customers	**84,312**	**118,232**	**(21,117)**	**181,427**
Financial assets that have been written off during the year	**–**	**–**	**(205,132)**	**(205,132)**
Recoveries of prior advances written off	**–**	**–**	**38,128**	**38,128**
Gross loans and advances to customers at 31 December 2023	**5,133,070**	**1,099,452**	**125,217**	**6,357,739**
Less: allowances for losses on loans and advances	**(81,479)**	**(145,081)**	**(57,798)**	**(284,358)**
Net loans and advances to customers at 31 December 2023	**5,051,591**	**954,371**	**67,419**	**6,073,381**

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Balance at 1 January 2022	5,574,829	723,447	122,144	6,420,420
Transfers to stage 1	172,726	(171,521)	(1,205)	–
Transfers to stage 2	(585,638)	599,941	(14,303)	–
Transfers to stage 3	(96,073)	(75,691)	171,764	–
Net increase / (decrease) in loans and advances to customers	(130,618)	208,826	(14,894)	63,314
Financial assets that have been written off during the year	–	–	(189,803)	(189,803)
Recoveries of prior advances written off	–	–	49,385	49,385
Gross loans and advances to customers at 31 December 2022	4,935,226	1,285,002	123,088	6,343,316
Less: allowances for losses on loans and advances	(61,997)	(160,739)	(53,521)	(276,257)
Net loans and advances to customers at 31 December 2022	4,873,229	1,124,263	69,567	6,067,059

Loans and advances to customers have no fixed maturity. A contractual minimum payment is 1% or higher of the principal balance per month, plus interest and fees is applied to the majority of customer accounts, however the loan may be repaid earlier than implied by the contractual terms.

Note 15.2. Securitisation transactions

On 12 March 2021, the Company securitised Loans and advances to customers with a gross value of £4,350,000,000. On this date the securitisation vehicle, Wilmington Cards 2021-1 plc, issued £3,350,000,000 Class A asset backed variable rate notes with a scheduled redemption date of 18 March 2026 and £1,000,000,000 Class D asset backed variable rate notes with a scheduled redemption date of 18 March 2027 (the "Notes").

	Loans and advances securitised	**Notes in issue**	Loans and advances securitised	Notes in issue
	2023	**2023**	2022	2022
	£'000	**£'000**	£'000	£'000
Financial assets	**4,350,000**	**4,359,750**	4,350,000	4,356,146
Wilmington Cards 2021-1 plc	**4,350,000**	**4,359,750**	4,350,000	4,356,146

Note 16. Investment in subsidiary undertakings

	2023	2022
	£'000	£'000
Cost		
At 1 January and 31 December	**80,000**	80,000
Provision for impairment		
At 1 January	**78,664**	78,664
Credit for the year	**(131)**	–
At 31 December	**78,533**	78,664
Carrying value of investments at 31 December	**1,467**	1,336

Investment in subsidiary 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 undertakings at 31 December 2023 and 31 December 2022, listed below, are all incorporated in the United Kingdom.

Subsidiary undertakings	Company interest	Principal activities	Registered address
Loans.co.uk Limited	100%	Non-trading	Cawley House, Chester Business Park, Chester CH4 9FB

The Company's interest in this entity is in the form of ordinary share capital. The proportion of the voting rights in the subsidiary undertaking held directly by the Company do not differ from the proportion of ordinary shares held.

Note 17. Property, plant and equipment

	Offices and other equipment £'000
Cost	
At 1 January 2022	8,262
Additions	897
Disposals	(3,214)
At 31 December 2022	5,945
Additions	2,548
Disposals	(3,259)
At 31 December 2023	**5,234**
Accumulated depreciation	
At 1 January 2022	4,737
Charge for the year (see note 7)	2,206
Disposals	(3,104)
At 31 December 2022	3,839
Charge for the year (see note 7)	1,707
Disposals	(2,797)
At 31 December 2023	**2,749**
Balance sheet amount at 31 December 2023	**2,485**
Balance sheet amount at 31 December 2022	2,106

Note 18. Intangible assets

	2023 Capitalised software development £'000
Cost	
At 1 January 2023	–
Additions	**7,245**
At 31 December 2023	**7,245**
Accumulated amortisation	
At 1 January 2023	–
Charge for the year (see note 7)	–
At 31 December 2023	–
Balance sheet amount at 31 December 2023	**7,245**

Additions comprise of capitalised software product development costs

Note 18. Intangible assets (continued)

	2022
	Purchased Credit Card Relationships
	£'000
Cost	
At 1 January 2022	46,238
Disposals	(46,238)
At 31 December 2022	–
Accumulated amortisation	
At 1 January 2022	46,012
Charge for the year (see note 7)	226
Disposals	(46,238)
At 31 December 2022	–
Balance sheet amount at 31 December 2022	–

Amortisation is included in Other operating expenses in the Statement of comprehensive income.

Note 19. Deferred tax asset

The movement in the deferred tax asset is as follows:

	2023	2022
	£'000	£'000
Brought forward	**21,300**	24,587
Charge for the year (see note 10)	**(3,861)**	(3,287)
At 31 December	**17,439**	21,300

The deferred tax charge in the Statement of comprehensive income comprises the following temporary differences:

	2023	2023
	£'000	£'000
Accelerated capital allowances	**(46)**	41
Accounting provisions disallowed	**–**	(208)
Other temporary differences	**(3,815)**	(3,120)
	(3,861)	(3,287)

Deferred tax asset comprises:

	2023	2023
	£'000	£'000
Accelerated capital allowances	**2,547**	2,593
Other temporary differences	**14,892**	18,707
Total	**17,439**	21,300

The Finance Act 2021, which received Royal Assent on 10 June 2021, increased the rate of corporation tax from 19% to 25% with effect from 1 April 2023.

Note 20. Borrowed funds

	2023	2022
	£'000	£'000
Amounts due to Group undertakings (see note 26)	**5,877,676**	5,537,101

Amounts due to Group undertakings include short term deposits and fixed term loans which are unsecured, interest-bearing and repayable on maturity.

Amounts due to Lloyds Bank plc of £1,680,000,000 (2022: £1,370,000,000) are interest-bearing at variable rates, and are unsecured and repayable on demand, although there is no expectation that such a demand would be made. Amounts due to Lloyds Bank plc of £4,150,000,000 (2022: £4,150,000,000) is unsecured, interest bearing at fixed rates of which £1,900,000,000 (2022: £2,650,000,000) is repayable within one year.

Note 21. Trade and other payables

	2023	2022
	£'000	£'000
Trade payables	**60,680**	36,395
Accruals and deferred income	**16,967**	19,228
Other payables	**9,410**	9,236
	87,057	64,859

Of the total trade and other payables £48,000 is payable after more than one year (2022: £48,000).

Note 22. Provision for liabilities and charges

	Undrawn loan commitments	Payment protection insurance	Redundancy costs provision	Other provision	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2022	21,482	49,913	875	2,866	75,136
Charge/(credit) for the year	12,147	18,643	(875)	(1,079)	28,836
Utilised during the year	–	(27,833)	–	(1,287)	(29,120)
At 31 December 2022	33,629	40,723	–	500	74,852
Charge for the year	**6,706**	**6,326**	**–**	**171**	**13,203**
Utilised during the year	**–**	**(24,016)**	**–**	**(625)**	**(24,641)**
At 31 December 2023	**40,335**	**23,033**	**–**	**46**	**63,414**

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated.

Undrawn loan commitment provision

Undrawn loan commitment provision relates to the expected loss on the loan commitments that the Company has made to its customers for undrawn balances at the year-end. The charge in the year of £6,706,000 is due to a deterioration in economic indicators.

As at 31 December 2023, the provision of £40,335,000 (2022: £33,629,000) was categorised as £31,104,000 (2022: £23,653,000) in Stage 1, £9,231,000 (2022: £9,976,000) in Stage 2 and £nil (2022: £nil) in Stage 3, per the expected credit loss methodology under IFRS 9.

Payment protection insurance provision

The 2023 PPI provision comprises £22,909,000 (2022: £40,714,000) in respect of continuing operations and £124,000 (2022: £9,000) in respect of discontinued operations. This provision includes the cost of making redress payments to customers, the related administration costs and the costs associated with litigation activity to date.

Note 22. Provision for liabilities and charges (continued)

Payment protection insurance provision (continued)

Determining the amount of the provisions, which represent management's best estimate of the cost of settling these issues, requires the exercise of significant judgement and estimation. It will often be necessary to form a view on matters which are inherently uncertain, such as the scope of reviews required by regulators, and to estimate the number of future complaints, the extent to which they will be upheld, the average cost of redress and the impact of decisions reached by legal and other review processes that may be relevant to claims received. Consequently the continued appropriateness of the underlying assumptions is reviewed on a regular basis against actual experience and other relevant evidence and adjustments made to the provisions where appropriate.

Redundancy costs provision

The Company was acquired by the Group on 1 June 2017 and has been through a number of Group reorganisations, resulting in a number of staff redundancies. The Redundancy costs provision has been reviewed and deemed to be no longer required and was released during the year ended 31 December 2022.

Other provision

Other provisions includes £46,000 (2022: £500,000) in respect of expected costs of rectifying certain circumstances following a review of arrears handling activities and in relation to customer remediation on persistent customer debt. The £171,000 charge in 2023 (2022: credit of £1,079,000) reflects the cost of making redress payments to customers, the related administration costs and the costs associated with litigation activity to date.

Note 23. Share capital

	2023	2022
	£'000	£'000
Allotted, issued and fully paid		
1 ordinary share (2022: 1 ordinary share) of £10 each	**–**	–

All ordinary shares rank pari passu in all respects including the right to receive all dividends and other distributions declared, made or paid on the ordinary share capital of the Company.

Note 24. Transfer of financial assets

The Company enters into repurchase and securities lending transactions in the normal course of business that do not result in derecognition of the financial assets concerned. In all cases the transferee has the right to sell or repledge the assets concerned to the transferor.

As set out within note 15.2, included within Loans and advances to customers are loans securitised under Lloyds Banking Group plc's securitisation programmes. The Company retains substantially all of the risks and rewards associated with these loans and they are retained on the Company's Balance sheet. Assets transferred into the securitisation programmes are not available to be used by the Company during the term of those arrangements.

The table below sets out the details of the repurchase agreements in place. For securitisation programmes, the associated liabilities represent the external notes in issue.

		Carrying value of transferred assets	**Carrying value of associated liabilities**
		£'000	**£'000**
Loan notes	**At 31 December 2023**	**4,359,750**	**4,359,750**
Loan notes	At 31 December 2022	4,356,146	4,356,146

Note 25. Share based payments

During the year ended 31 December 2023, Lloyds Banking Group plc operated a number of share-based payment schemes for which employees of the Group were eligible and all of which are equity settled. Details of all schemes operated by the Group are set out below; these are managed and operated on a Group-wide basis. The amount recharged to the Company in respect of the Group share based payment schemes, and which is included within Wages and salaries (note 8), was £589,000 (2022: £1,129,000).

During the year the Group operated the following share-based payment scheme, all of which are equity settled.

Group Performance Share plan

The Group operates a Group Performance Share plan. Bonuses in respect of employee performance in 2023 have been recognised in the charge in line with the proportion of the deferral period completed.

Note 25. Share based payments (continued)

Further details in respect of share based payment schemes can be found in the 2023 financial statements of the Company's ultimate parent undertaking, copies of which may be obtained from the Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN. The Lloyds Banking Group plc financial statements may be downloaded via www.lloydsbankinggroup.com.

Note 26. Related party transactions

The Company is controlled by Bank of Scotland plc. A number of transactions are entered into with related parties in the normal course of business. A summary of the outstanding balances at the year end and the related income and expense for the year are set out below.

A management recharge is made by the immediate parent company to cover the costs of administration and other services provided to the Company. The auditors' remuneration of £665,028 (2022: 639,000) was borne by the parent company.

Banking transactions are entered into by the Company with Lloyds Bank plc and its subsidiaries in the normal course of business and on normal commercial terms.

	2023	2022
	£'000	£'000
Amounts due from Group undertakings		
Lloyds Bank plc	**103,070**	132,746
Bank of Scotland plc	**410**	–
Loans.co.uk Limited	**–**	8,318
MBNA R & L S.A.R.L.	**63**	–
Wilmington Cards 2021-1 plc	**138,441**	110,384
Total Amounts due from Group undertakings (see note 14)	**241,984**	251,447
Amounts due to Group undertakings		
Lloyds Bank plc	**5,876,093**	5,527,209
Loans.co.uk Limited	**1,572**	9,886
MBNA R & L S.A.R.L.	**5**	–
MBNA Europe Holdings Limited	**6**	6
Total Amounts due to Group undertakings (see note 20)	**5,877,676**	5,537,101
Cash and cash equivalents held with Group undertakings		
Lloyds Bank plc (see note 13)	**15,670**	5,511

The above balances are unsecured in nature and are expected to be settled in cash or by cash equivalents.
On the 12th March 2021 the Company entered into a securitisation arrangement with Wilmington Cards 2021-1 plc, which used MBNA Card assets to back the issuance of £4,350,000,000 asset backed variable rate notes. Amounts due from Wilmington Cards 2021-1 plc of £138,441,000 (2022: £110,384,000) represents the build up of a cash asset. See note 1.15 for further details.

	2023	2022
	£'000	£'000
Interest income		
Lloyds Bank plc (see note 3)	**122**	690
Interest expense		
Lloyds Bank plc	**209,697**	65,391
Loans.co.uk Limited	**80**	107
Total interest expense (see note 3)	**209,777**	65,498
Fee and commission income		
Lloyds Bank plc	**6,464**	3,073

Note 26. Related party transactions (continued)

	2023	2022
	£'000	£'000
Other expenses		
Lloyds Bank plc (see note 7)	**81,986**	67,255
Dividend paid		
Bank of Scotland plc (see note 11)	**490,000**	–

Other income and Other expenses relate to non-interest related transactions with fellow Group undertakings that have been received or borne by the Company during the year.

MBNA General Foundation

The MBNA General Foundation ("the Foundation"), a charitable trust, is a related party due to the power of the Company to appoint and remove Trustees of the Foundation, and due to shared Trustees of the Foundation and senior management of the Company. In the past the Company has provided the Foundation with the majority of its donations received. The Company made donations of £nil during the current year (2022: £428,000).

No amounts were due to or from the Foundation at the end of the current year or previous year.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, which is determined to be the Company's Directors and members of the Lloyds Banking Group plc Board. Members of the Lloyds Banking Group plc Board are employed by other companies within the Lloyds Banking Group and consider that their services to the Company are incidental to their other responsibilities within the Group.

Other than as set out below, there were no transactions between the Company and key management personnel during the current or preceding year.

	2023	2022
	£'000	£'000
Salaries and short term employee benefits	**215**	127
Post employment benefits	**11**	9
	226	136

Note 27. Financial risk management

The Company's operations expose it to credit risk, liquidity risk, interest rate risk and business risk; it is not exposed to any significant or foreign exchange risk. Responsibility for the control of overall risk lies with the Board of Directors, operating within a management framework established by the Retail Division, 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 and credit risk is carefully monitored by the Retail Division's credit committee and credit functions. 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.

Note 27.1. Credit risk

Credit risk management

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The credit risk associated with Loans and advances to customers is managed through the application of strict underwriting criteria, determined by the Retail Division's credit committee and credit functions. Significant credit exposures are measured and reported on a regular basis. Impairment provisions are provided for all losses expected to be incurred at the Balance sheet date, using the basis of assessment discussed in notes 1.5 and 2.

The credit risk associated with Cash and cash equivalents and Trade and other receivables is not considered to be significant.

Note 27. Financial risk management (continued)

Note 27.1. Credit risk (continued)

Credit risk mitigation

- Credit principles and policy: Group Risk sets out the group credit principles and policy according to which credit risk is managed, which in turn is the basis for divisional and product area credit policy. Principles and policy are reviewed regularly and any changes are subject to a review and approval process. Retail policy includes lending guidelines, which define the responsibilities of lending officers and provide a disciplined and focused benchmark for credit decisions.

- The Company uses strict lending criteria when assessing applications for unsecured lending. The approval process uses credit acceptance scorecards and involves a review of the applicant's credit history using information held by Credit Reference Agencies. The Company also assesses the affordability and sustainability of lending for each borrower and takes steps to validate information used in the assessment of a customer's income and expenditure. Affordability assessments are compliant with regulatory conduct guidelines.

- Credit scoring: In its principal portfolios, the Company uses statistically based decision techniques (primarily credit scoring). Divisional risk departments review scorecard effectiveness and approve changes, with material changes subject to Group Risk approval.

- Stress testing and scenario analysis at a Company and divisional level: The credit portfolio is also subjected to stress testing and scenario analysis, to simulate outcomes and calculate their associated impact.

Credit concentration - loans and advances to customers

The Company lends to customers geographically located in the United Kingdom.

Loans and advances to customers - maximum exposure

The maximum credit risk exposure of the Company in the event of other parties failing to perform their obligations are detailed below.

	As at 31 December 2023		As at 31 December 2022	
	Maximum Exposure	**Net Exposure**	Maximum Exposure	Net Exposure
	£'000	**£'000**	£'000	£'000
Loans and advances to customers, net [1]	**6,073,381**	**6,073,381**	6,067,059	6,067,059
Off balance sheet items:				
Commitments to lend	**21,190,189**	**21,190,189**	22,056,066	22,056,066
	27,263,570	**27,263,570**	28,123,125	28,123,125

1. Amounts shown net of impairment balances.

Loans and advances to customers

The analysis of lending has been prepared by applying the Group's rating scales to the Company's impairment model, for the cards portfolio in the Group's Retail division. The internal credit rating systems are set out below. The Group's PD, that has been applied, include forward-looking information and are based on 12 month values, with the exception of credit impaired.

		Gross loans and advances to customers - Loan Quality			
At 31 December 2023		**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	PD Range	**£'000**	**£'000**	**£'000**	**£'000**
RMS 1-6	0.00-4.50%	**4,355,017**	**483,926**	**–**	**4,838,943**
RMS 7-9	4.51-14.00%	**765,462**	**378,437**	**–**	**1,143,899**
RMS 10	14.01-20.00%	**12,378**	**79,579**	**–**	**91,957**
RMS 11-13	20.01-99.99%	**213**	**157,510**	**–**	**157,723**
RMS 14	100%	**–**	**–**	**125,217**	**125,217**
		5,133,070	**1,099,452**	**125,217**	**6,357,739**

27. Financial risk management (continued)

27.1. Credit risk (continued)

Loans and advances to customers (continued)

At 31 December 2022	Gross loans and advances to customers - Loan Quality				
		Stage 1	Stage 2	Stage 3	Total
	PD Range	£'000	£'000	£'000	£'000
RMS 1-6	0.00-4.50%	4,309,240	598,082	–	4,907,322
RMS 7-9	4.51-14.00%	625,838	460,304	–	1,086,142
RMS 10	14.01-20.00%	57	77,470	–	77,527
RMS 11-13	20.01-99.99%	91	149,146	–	149,237
RMS 14	100%	–	–	123,088	123,088
		4,935,226	1,285,002	123,088	6,343,316

Commitments to lend

At 31 December 2023	**Gross loans and advances to customers - Loan Commitments**				
		Stage 1	**Stage 2**	**Stage 3**	**Total**
	PD Range	**£'000**	**£'000**	**£'000**	**£'000**
RMS 1-6	0.00-4.50%	**20,138,052**	**585,754**	**–**	**20,723,806**
RMS 7-9	4.51-14.00%	**319,048**	**116,561**	**–**	**435,609**
RMS 10	14.01-20.00%	**1,642**	**15,099**	**–**	**16,741**
RMS 11-13	20.01-99.99%	**105**	**39,348**	**–**	**39,453**
RMS 14	100%	**–**	**–**	**14,915**	**14,915**
		20,458,847	**756,762**	**14,915**	**21,230,524**

At 31 December 2022	Gross loans and advances to customers - Loan Commitments				
		Stage 1	Stage 2	Stage 3	Total
	PD Range	£'000	£'000	£'000	£'000
RMS 1-6	0.00-4.50%	20,722,402	867,856	–	21,590,258
RMS 7-9	4.51-14.00%	283,057	145,262	–	428,319
RMS 10	14.01-20.00%	45	16,165	–	16,210
RMS 11-13	20.01-99.99%	37	39,046	–	39,083
RMS 14	100%	–	–	15,825	15,825
		21,005,541	1,068,329	15,825	22,089,695

Note 27. Financial risk management (continued)

27.1. Credit risk (continued)

Analysis of movement in the allowance for impairment losses by stage

In respect of drawn balances	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 1 January 2023	61,997	160,739	53,521	276,257
Transfers to Stage 1	52,859	(52,384)	(475)	–
Transfers to Stage 2	(4,690)	11,408	(6,718)	–
Transfers to Stage 3	(2,305)	(28,993)	31,298	–
Impact of transfers between stages	(27,498)	49,827	38,432	60,761
	18,366	(20,142)	62,537	60,761
Other items charged to Statement of comprehensive income	1,116	4,484	116,361	121,961
Charge/(credit) for the year (including recoveries)	19,482	(15,658)	178,898	182,722
Financial assets that have been written off during the year	–	–	(205,132)	(205,132)
Reinstatement of provisions previously written off	–	–	38,128	38,128
Discount unwind	–	–	(7,617)	(7,617)
At 31 December 2023	81,479	145,081	57,798	284,358

In respect of undrawn balances	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 1 January 2023	23,653	9,976	–	33,629
Transfers to Stage 1	4,673	(4,673)	–	–
Transfers to Stage 2	(895)	895	–	–
Transfers to Stage 3	(217)	(329)	546	–
Impact of transfers between stages	(2,882)	3,697	(245)	570
	679	(410)	301	570
Other items charged/(credited) to Statement of comprehensive income	6,772	(335)	(301)	6,136
Charge /(credit) for year (including recoveries)	7,451	(745)	–	6,706
At 31 December 2023	31,104	9,231	–	40,335
In respect of:				
Loans and advances to customers	81,479	145,081	57,799	284,359
Provisions in relation to loan commitments	31,104	9,231	–	40,335
Total	112,583	154,312	57,799	324,694

Note 27. Financial risk management (continued)

Note 27.1. Credit risk (continued)

Analysis of movement in the allowance for impairment losses by stage (continued)

In respect of drawn balances	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 1 January 2022	55,060	89,530	59,601	204,191
Transfers to Stage 1	15,904	(15,235)	(669)	–
Transfers to Stage 2	(6,552)	14,607	(8,055)	–
Transfers to Stage 3	(1,783)	(17,309)	19,092	–
Impact of transfers between stages	(7,109)	76,708	37,352	106,951
	460	58,771	47,720	106,951
Other items charged/(credited) to Statement of comprehensive income	6,477	12,438	92,347	111,262
Charge/(credit) for the year (including recoveries)	6,937	71,209	140,067	218,213
Financial assets that have been written off during the year	–	–	(189,803)	(189,803)
Reinstatement of provisions previously written off	–	–	49,385	49,385
Discount unwind	–	–	(5,729)	(5,729)
At 31 December 2022	61,997	160,739	53,521	276,257

In respect of undrawn balances	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
At 1 January 2022	17,823	3,659	–	21,482
Transfers to Stage 1	1,295	(1,295)	–	–
Transfers to Stage 2	(1,254)	1,254	–	–
Transfers to Stage 3	(149)	(159)	308	–
Impact of transfer between stages	(822)	5,459	(131)	4,506
	(930)	5,259	177	4,506
Other items charged/(credited) to Statement of comprehensive income	6,760	1,058	(177)	7,641
Charge /(credit) for year (including recoveries)	5,830	6,316	–	12,146
At 31 December 2022	23,653	9,976	–	33,629
In respect of:				
Loans and advances to customers	61,997	160,739	53,521	276,257
Provisions in relation to loan commitments	23,653	9,976	–	33,629
Total	85,650	170,715	53,521	309,886

Note 27.2. 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, Bank of Scotland plc, in consultation with the Board of Directors. Monthly reviews of funding positions are undertaken to anticipate any shortfalls.

Note 27. Financial risk management (continued)

Note 27.2. Liquidity risk (continued)

As at 31 December 2023	**Up to 1 month**	**1-3 Months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Borrowed funds	**312,282**	**–**	**3,304,298**	**2,261,096**	**–**	**5,877,676**
Contractual interest payments	**–**	**–**	**104,038**	**190,865**	**–**	**294,903**

As at 31 December 2022	Up to 1 month	1-3 Months	3-12 months	1-5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Borrowed funds	9,910	–	3,314,239	2,212,952	–	5,537,101
Contractual interest payments	–	–	71,110	141,685	–	212,795

The Company is funded entirely by companies within the Group.

Note 27.3. 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 on its borrowings due to factors outside the Company, 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

Interest income on the Company's Loans and advances to customers is fixed, therefore a movement in market rates of interest will not immediately effect the return on the portfolio and has not been included in the sensitivity analysis. The sensitivity analysis has been performed to assess the impact on interest margins being 100 basis points higher or lower with all other variables held constant. The Company has taken a prudent approach to this analysis by assuming that any basis point movement would be reflected in all variable products.

The impact if rates were to increase by 100 basis points (2022: 100 basis points) would be to increase Interest expense and decrease Profit before tax and decrease Equity by £15,253,000 (2022: £13,858,000), and accordingly decrease Interest expense, increase Profit before tax and increase Equity by £15,253,000 (2022: £13,858,000) if rates decreased by the same amount.

Note 27.4. 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.

Note 27.5. Fair values of financial assets and liabilities

Financial instruments include financial assets and financial 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 aggregated carrying value of Loans and advances to customers is considered to be an approximation of the fair value.

The valuations of financial instruments have been classified into three levels according to the quality and reliability of information used to determine the fair values.

Level 1 portfolios

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 predominantly comprise equity shares, treasury bills and government securities.

Level 2 portfolios

Level 2 valuations are those where quoted market prices are not available, for example where the instrument is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Note 27. Financial risk management (continued)

Note 27.5. Fair values of financial assets and liabilities (continued)

Level 3 portfolios

Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments are valued using various valuation techniques that require significant management judgment in determining appropriate assumptions, including earnings multiples and estimated future cash flows.

The Company has provided credit cards to customers on variable rate bases. The carrying value of the variable rate loans is assumed to be their fair value. A number of the inputs required to estimate fair value are unobservable. Such inputs include estimated future cash flows (including interest at contractual rates), discount rates and relevant credit losses. The fair value is therefore classified as level 3 in the fair value hierarchy due to the significant unobservable inputs used in the valuation.

The fair value of all other financial assets and liabilities, including cash and cash equivalents, borrowed funds and due to and due from related party undertakings, are equal to their carrying value and classified as level 2 in the fair value hierarchy.

Note 28. 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 shareholder, return capital to shareholder, issue new shares, or sell assets.

The managed capital of the Company constitutes Total equity. This consists entirely of issued Share capital and Retained earnings. As at 31 December 2023, total managed capital was £332,317,000 (2022: £670,044,000).

The Company is authorised and regulated by the Financial Conduct Authority ("FCA") and is subject to capital resource requirements as set out by the FCA. Capital is actively managed at an appropriate level of frequency and regulatory capital levels are a key factor in the Company's budgeting and planning processes. All FCA capital requirements imposed on the Company during the year were met.

Note 29. Contingent liabilities and capital commitments

During the ordinary course of business the Company is subject to other complaints as well as legal and regulatory reviews, challenges and investigations. All such material matters are periodically reassessed, with the assistance of external professional advisors where appropriate to determine the likelihood of the Company incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established to management's best estimate of the amount required at the relevant Balance sheet date. In some cases it will not be possible to form a view, for example because the facts are unclear or because further time is needed properly to assess the merits of the case, and no provisions are held in relation to such matters. In these circumstances, specific disclosure in relation to a contingent liability will be made where material. The Company does not currently expect the final outcome of any such case to have a material adverse effect on its financial position, operations or cash flows.

At the Balance sheet date undrawn credit lines and other commitments to lend were £21,230,524,000 (2022: £22,089,695,000).

Note 30. Future developments

The following pronouncement for the year ending 31 December 2023 and has not been applied in preparing these financial statements. Save as disclosed below, the impact of any accounting change is still being assessed by the Company and reliable estimates cannot be made at this stage.

Minor amendments to other accounting standards

The IASB has issued a number of minor amendments to IFRSs effective 1 January 2024, including IFRS 16 Lease liability in a sale and leaseback, IAS 1 Non-current liabilities with covenants, and IAS 1 Classification of liabilities as current or non-current. These amendments are not expected to have a significant impact on the Company.

Note 31. Ultimate parent undertaking and controlling party

The immediate parent company is Bank of Scotland plc (incorporated in Scotland). The company regarded by the Directors as the ultimate parent company and controlling party is Lloyds Banking Group plc (incorporated in Scotland), which is also the parent undertaking of the largest Group of undertakings for which Group financial statements are drawn up and of which the Company is a member. Bank of Scotland plc is the parent undertaking of the smallest such Group of undertakings.

Copies of the financial statements of both companies may be obtained from Group Secretariat, Lloyds Banking Group, 25 Gresham Street, London, EC2V 7HN. Lloyds Banking Group plc's financial statements may be downloaded via www.lloydsbankinggroup.com/investors/financial-downloads.html.

Independent Auditors' report to the member of MBNA Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of MBNA Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included the Company's:

- current year performance and the year-end position;
- dependency on borrowing facilities including nature of facilities, repayment terms and covenants;
- cashflow forecasts including the relevance and reliability of the underlying data;
- ability to rely on the parent's support; and
- the impact of the current macroeconomic climate on the company's future performance.

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.

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

Other information

The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Independent Auditors' report to the member of MBNA Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and the other directors about their own identification and assessment of the risks of irregularities including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, tax legislation, the Financial Conduct Authority ("FCA") regulations, Financial Reporting Council ("FRC") regulations, Consumer Credit Act ("CCA"); and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as IT, credit risk and Effective Interest Rate ("EIR") modelling specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- We have identified the valuation of expected credit losses ("ECL") post model adjustments and in model adjustments made to address known model and data limitations, and emerging or non-modelled risks to represent a significant risk of material misstatement. Our challenge of the significant risk identified included involvement of the credit risk modelling specialists. With their support, we have reviewed and challenged the methodology, approach and assumptions in developing the model adjustments. We also evaluated management's selection of approach for indication of bias. Based on our audit procedures, we concluded that the ECL recognised on the balance sheet is not materially misstated.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with the FCA.

Independent Auditors' report to the member of MBNA Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Johnson (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cardiff, United Kingdom
18 June 2024

Independent auditor’s report to the members of MBNA Limited

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of MBNA Limited (the ‘company’):
- give a true and fair view of the state of the company’s affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

Our evaluation of the directors’ assessment of the company’s ability to continue to adopt the going concern basis of accounting included the entity’s:
- current year performance and the year-end position;
- dependency on borrowing facilities including nature of facilities, repayment terms and covenants;
- cashflow forecasts including the relevance and reliability of the underlying data;
- ability to rely on the parent’s support; and
- the impact of the current macroeconomic climate on the entity’s future performance.

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.

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

Other information

The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and the other directors about their own identification and assessment of the risks of irregularities including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, tax legislation, the Financial Conduct Authority ("FCA") regulations, Financial Reporting Council ("FRC") regulations, Consumer Credit Act ("CCA"); and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as IT, credit risk and Effective Interest Rate ("EIR") modelling specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- We have identified the valuation of expected credit losses ("ECL") post model adjustments and in model adjustments made to address known model and data limitations, and emerging or non-modelled risks to represent a significant risk of material misstatement. Our challenge of the significant risk identified included involvement of the credit risk modelling specialists. With their support, we have reviewed and challenged the methodology, approach and assumptions in developing the model adjustments. We also evaluated management's selection of approach for indication of bias. Based on our audit procedures, we concluded that the ECL recognised on the balance sheet is not materially misstated.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and

- reading minutes of meetings of those charged with governance and reviewing correspondence with the FCA.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Johnson

Kevin Johnson (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
18 June 2024